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CREDIT WORLD

Vol. XXIX, No. 11

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and the Credit Man

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for the Next Few Years

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Credit and Collection Percentages
and Trends—Better Letters—Current
Business Conditions—Short Articles

AUGUST
1941

ONLY PUBLICATION DEVOTED EXCLUSIVELY TO RETAIL CREDIT

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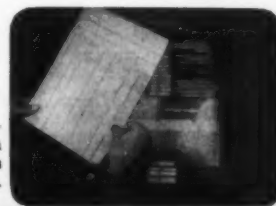
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This publication carries authoritative notices and articles in regard to the activities of the National Retail Credit Association. Authors have been invited to submit articles for publication and their personal opinions or views expressed in these articles are to be attributed to them and not to The CREDIT WORLD, its editors, or the National Retail Credit Association.

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The Great American Public

★ ★ ★

To serve the best interests of our firms by serving our patrons—the public—first and always, is to achieve the success we all desire. Such was the inspiring theme of W. G. Van Schmus in his address given at our New York Convention. Through his experience as Managing Director of Radio City Music Hall—the largest theatre in the world—he is an outstanding authority not only on the art of fine entertainment, but, most important, on the art of public relations.

Twenty-five years ago I had the honor of being a member of the Board of Directors of the National Retail Credit Association. Twenty years ago, having left the realm of credits and engaged in national advertising, you invited me to come back and deliver an address at your convention in Cleveland. Today you have asked me again to speak on a subject of my own choice. I come before you, not as a great authority to offer a scientific diagnosis of the American public, rather to sum up my years of experience in the department store and national advertising fields, and as managing director of the greatest theatre in the world, insofar as they involved dealing with the public. May I say in passing that no day goes by in the conduct of our two theatres in Rockefeller Center in which I am not confronted by problems, the solution of which comes from my experience in the department store and national advertising fields.

In the address delivered to the credit executives twenty years ago, I chose as a subject, "Doing the Unusual Thing," and stressed in an inspirational way the opportunity of a credit man to lift himself from the groove of so-called "dead-help" into one of the most important productive factors in the organization which employs him. I do not come to you today with any panaceas whereby the great American public will pay all bills when they fall due or leave a forwarding address when they choose to disappear. Rather, I should like to talk to you in terms of your own problems, concerning my experience covering a period of years in three non-related industries, yet with one definite, major, controlling factor—the great American public.

A New World

When I first walked into Radio City Music Hall on March 4, 1933, the day of the first Roosevelt inauguration and also the day all banks closed in the United States, it was like entering another world. I was as green as a college freshman about life behind the footlights. Though fond of the legitimate theatre and music, I had seen an average of three motion pictures a year. The language of *Variety*, the leading trade publication, was so much Greek to my untrained eye. "Biz abacadabra in Balt" was to all appearances just a collection of non-

sense syllables, though the seasoned showman interpreted it easily as: "Business very good in Baltimore."

I had much to learn in a glamorous and exciting new world, and one day awakened to the fact that, in a sense, I was still in the department store business. The only difference was the commodity we were now selling was entertainment. It was not a tangible object that could be wrapped up and carried out by the customer under his arm, or delivered to his home, but it was merchandise in the sense that he paid his money and expected to receive full value for every cent. After the first shock of realization, it became more and more apparent that entertainment to be successful must be reduced to terms of studying and understanding the public mind, anticipating its desires, winning its good will, and keeping its faith.

Human Element in Business

When I came to the Music Hall it was only a few months old. It was opened after that fabulous era of motion picture palaces had ended with the depression. Each of these had opened in a blaze of glory, enjoyed the limelight for a brief moment by virtue of its novelty, reached the zenith of success, and then gradually dropped back with the rest of the parade. I was told that no one theatre could stay on top for more than three years. After that, like water, it found its own level and continued on the same plane, granted that all other conditions were equal. I faced the end of the Music Hall's third year with some trepidation, after having put into practice the policy which governed my operations almost from the beginning, a positive approach to the public, a consistent policy, an attempt to make a unique institution, which was greater than any of its component parts. We have not yet reached the predicted leveling-off place but are continuing to grow, attracting more customers each year, and breaking records of our own making. This year, for example, "Philadelphia Story" remained for six weeks and was seen in *one* theatre in *one* city by 850,000 people.

In this world of footlights, grease paint and glamour, there is a great deal of romance, and a kind of romance which you may not suspect, although it exists in your shops and stores in New York, Sioux City, or Seattle, in fact any place where one is dealing with the public.

Many of us in the business world are inclined to think in terms of figures and balance sheets, or how infinitesimally small our credit losses may be, and fail to appreciate the weight of the human element. Neglected and discounted, it can make the difference in any business between success and failure. What is more, cultivated and taken into account, it can give a reward not measured by dollars alone, but containing a spiritual value, or, if you will, an inner satisfaction.

Nowhere in a department or retail store is there a greater opportunity to make friends and to keep them than in the credit office, where courtesy and good service are worth many times the little effort they take. Virtues of long-time standing, they are as true today as the first time this form of public relations came into existence.

A Positive Approach to the Public

The head of a great credit department obviously cannot have personal contact with even a small percentage of the public which he serves. Therefore, the degree of his success in public relations is measured by the extent to which his attitude is reflected down through his organization to the smallest salaried employee. Sitting at his desk conceiving matters of policy is not enough. Routine efforts may be in vain if the positive approach stops outside the circle of his direct influence.

Establishing an account with a patron carries with it the implication of a closer relationship than with a cash customer. You have investigated the standing, the financial responsibility, and are satisfied to extend credit. This places the patron in a preferred relationship with the house, and in extending credit you have, by that very act, given the patron an anchorage in your establishment. From that day on, every extra curricular interest you may arouse in that patron on behalf of your establishment emphasizes not only the desirability of the store as a good trading post, but also carries in the public's mind a respect for the credit office's interest as intermediary between the public and the house. We all know that a newly opened account is worth little in itself. It is the continued use of that account which makes it profitable. Enticing the customers in is only the first skirmish. Keeping them satisfied and having them come back again and again are what determine the real victory. Nothing flatters a customer more than a sincere interest and understanding of his problem, and a sale is a credit only if it chalks up good will beside it on the ledger.

The Value of Good Will

At the Music Hall we have six hundred employees, but our main contacts with the public are 125 members of our Uniformed Staff. They are trained not only to meet the public and show initiative, but also to extend courtesies and attentions in the best drawing room manner. Up to June 12, we had played to more than 48,300,000 people, and in that time have had not over 30 complaints of discourtesy. On the other hand, scarcely a day passes that a letter does not come to my desk, written quite voluntarily, commending some young man for an unusual kindness or thoughtful courtesy. Every such letter is noted carefully and given a personal acknowledgment.

A positive approach to the public does not necessarily mean overlooking such things as human frailties. We cannot ignore the fact that, like death and taxes, a certain

number of deadbeats will always be with us. But we must be careful not to let our thinking become over-watchful and zealous. Sometimes, by watching that one-quarter of one per cent loss too closely, one may drive away hundreds of thousands of dollars' worth of business. Or, if an adjustment is to be made and is done sourly or with suspicion, its value in good will will be lost completely. Done in good spirit, it creates something which money cannot buy but intrinsically is priceless. By the same token, it is sometimes advisable to show a little added generosity or consideration that the situation in itself may not warrant, but as a future investment will pay better dividends than anything bought on the stock exchange today.

I am reminded of an incident which I witnessed many years ago when the adjustment manager of a certain store, pleased as punch, was handing in his annual report. His figures of adjustments made were slashed down low. But instead of the medals he expected to have pinned upon him, he was given a dressing down by the general manager which was a sad awakening. To have saved so much, said his superior, must have cost their store many times that amount in customer good will. No store doing the volume of business which they had done over that period could legitimately expect to have such a low percentage of adjustments.

The Spirit With Which We Perform

The public is highly sensitized in its reactions. A few years ago, I had as a guest, one evening backstage, the president of one of our great Eastern Colleges, a man with an unusually broad outlook. Our Ballet was giving a performance and the smallest girl in the Ballet carried a solo part. I asked him to notice, as we stood in the wings and watched the performance, that before she danced across the stage the audience would applaud her performance. Sure enough, they did. This young dancer had an extraordinary personal spirit, full of vitality and kindness, and a fine influence on the 29 other members of the troupe, but she was by no means, our most capable dancer. I then told my guest about a ballerina, who had formerly been in our employ, who was a perfectionist. She followed the choreography with the finest attention to every detail, but 'in spite of her technique I always had the feeling when she came on, as though a cake of ice had appeared on the stage. I asked him why some performers who are technically perfect do not get the same response from an audience which is given another performer who may actually be less skillful. What is the nature of that quality which reaches across the footlights to an audience? He said, "If I knew, I would bottle it up, and sell it for a fortune." A few moments later our Rockettes came on. They were greeted by applause, and time and again were applauded throughout their routine. I knew how they loved to dance, and how proud they were of being Rockettes. The contagion of their enthusiasm was so great that the audience, with its subtle receptiveness, seemed to feel the same electric current which I had often felt while sitting in the audience watching their performance.

I told this story to one of the most famous tap-dancers in this country, who has often danced for us, and she confirmed my theory by saying, "If I am depressed, no matter how mechanically perfect my dancing may be, or if my heart is not beating in harmony with what I

am doing, I can tell by looking at the faces of the audience that the applause will be merely perfunctory," as it always was with the perfectionist ballerina. What transpired between the performer on the stage and the 6,000 people in the audience who gave the perfectionist only a ripple of applause as against the tremendous applause given others? Having watched many performances, I am convinced the ingratiating spirit of a performer goes out over the footlights to an audience and produces the same result you want to achieve and every ambitious person hopes to achieve in his human relationships. The performers on the stage are as human as you or I. They possess no great, miraculous power. They work hard, sincerely, to the point of suffering, that they may achieve the public's approval. It is by no means a matter of chance or a bit of luck that brings the applause.

A Reason for Success

We have an example in New York of a store which rose from definite failure to its present top position in the country through the introduction of a personality at the top that made itself felt right down the line. With little change in actual merchandise, the whole amazing success of this store in the past decade was due to the injection throughout the organization of those intangible values which win the applause, and the business of the public.

Credit is comparatively a new element in our social pattern. Within the lifetime of some of us, credit has donned the cloak of respectability and is accepted by the rich as readily as it is sought by the poor. The pendulum has swung from one extreme to the other, and in widening the sphere of influence, the greater the responsibilities of the credit organizations have become, not only to protect themselves, but also to protect the public. In serving the best interests of the public they are also best serving their own.

So far has the pendulum swung, that there is scarcely anything today which cannot be obtained on credit. On a program of the phenomenal "Quiz Kids" not long ago the question was asked: "What is the one thing in constant daily use which cannot be purchased on credit?" The answer: "A postage stamp." We are mortgaging our future as a nation, and perhaps it is not surprising that the individual attitude toward financial responsibility has grown more lax. Whatever the cause may be, it has reached a point beyond which it cannot go without undermining the whole credit structure. It is up to the credit organizations to face their responsibilities and bring about a self-regulation of present weaknesses.

The Friendly Attitude In the Credit Department

In 1917 the late Felix Fuld of Newark, then the active head of Bamberger's, one of the most far-seeing merchants in America, sent two representatives to Paris to inquire as to the buying habits of the French people, particularly during the last war. Mr. Fuld privately sent copies of their reports to a number of merchants in this country and I had occasion to read them. The French are characteristically frugal people, but at that time they were buying only the highest priced luxuries, far beyond anything they would normally spend or buy, and went

at it with a kind of abandon born out of despair. If there should hit this country a bull market for luxuries, most of them will be bought on credit.

The friendly attitude may very well be applied here, for any credit department which is not equipped with sufficient man power to establish a continuing close relationship, particularly with the less secure patrons, may be missing a bet and avoiding a responsibility in protecting the little man from himself; in the final analysis, protecting the interests of his own company.

From the beginning we have instilled into our organization one primary approach to all problems, to think in terms of the public. Keeping the pulse of the public is as important to us as the Gallup Poll to Washington. The members of our service staff jot down all comments overheard about the picture or stage show. Letters to the management, although a far from accurate gauge of general sentiment, sometimes show a trend which is helpful and are studied carefully. For years we have checked the business of opposition houses four times daily, which tells us where the public is going and why. Of course, every business must devise its own private Gallup Poll, and suit its own needs, but guesswork is costly and inaccurate, and you cannot think in terms of the public without studying the public mind.

Our Higher Standard of Living

We are told that the public is dulled by lethargy. But many years of contact with the John Does of this country have left me full of optimism, respect, and pride in the great American public and its alertness, intelligence, and good taste. Here we have a higher standard of living than any other nation in the world, yet we are not satisfied. We are constantly striving to improve ourselves individually and as a whole, economically and culturally. The miraculous news services today, the motion pictures, the radio, our educational system, all are exerting a profound influence on the man on the street, have widened the scope of his personal experience and must keep satisfying the demands of his ever-growing awareness. The Book-of-the-Month Club and Literary Guild have enjoyed a phenomenal success and brought the latest and finest in literature to millions. Classical music during the past decade has been brought into millions of homes and found a new public eager for more. Do all these things point to a static, stodgy mass mind? Rather do they show the folly of underestimating the discernment and understanding of the great American public.

A sound business may grow slowly, but always grows toward some objective set up ahead. Its policy may vary, by trial and error, but once determined, it should remain consistent within, of course, certain flexible boundaries. In uncertain times such as these it may seem bull-headed to talk about "the long-range view," but if an economic earthquake should come it is bound to be the houses built on sand which topple first, and those with a firm foundation survive the longest.

Barnum said, "A sucker is born every minute." Either we are turning out a shrewder, cannier breed of American since his day, or else he was fooling himself in thinking he was fooling the public. They like and respect honesty, and if they are fooled once they are not likely to come back for more.

At the Music Hall we sell entertainment and we do not use the false lure of bingo or bank night. We stake our success on trying to give the public more than its money's worth in the kind of commodity which they come to buy. I heard the other day of a town in the Middle West where every theatre but one was promoting free dishes, free chickens, and pots and pans in a frantic effort to entice customers. They were going begging. The other theatre in town advertised: "Nothing but movies" and was standing them in the aisles.

You and I like to be told the truth in advertising, and so do the one hundred and thirty million others who buy our goods. The Music Hall advertising is unique in this respect. We hope the time will come when the motion picture industry as a whole learns the lesson Fifth Avenue merchants learned years ago, and wakes up to the fact that advertising *every* picture as "colossal" and "stupendous" only creates suspicion in the public mind.

Try Something New!

Consistency, as I have pointed out, is necessary to any enterprise which wishes to have more than its brief day in the sun. But consistency does not mean a hide-bound, rigid policy which is not given to some elasticity. The beaten path is a safe road to follow, but taken too often it becomes a rut. Only by occasionally branching off into unexplored territory can we hope to make new discoveries, and we sometimes find unexpected rewards in undeveloped places. Not all of these experiments can be a success, but they keep any enterprise from dying of hardening of the arteries.

They say great men are made by their mistakes. But ask yourself, "Was it their mistakes that made them great, or were they great because they were able to try the *unusual thing*, which, though not always ending in success, at least added something to human experience?" There is a place for original thinking in every branch of life, even in the laboratory where the rules of science are reduced to mathematical formulae, even in banks where the columns of figures must always balance, even in the credit department of a merchandising institution. Don't be afraid to try something new. Don't be afraid to sound out those who work with you for their viewpoints. An original idea may come from the most unexpected source.

When the Music Hall first came into being eight and one-half years ago, its initial programs followed the pattern of the old English Music Halls by offering variety shows. This soon ended in dismal failure. Then by constant trial and error, there evolved its present policy which is unlike that of any other theatre in the world today. The term a "Music Hall picture" has come to mean in the trade an outstanding picture of superior quality. Each new stage production combines in some way the talents of our permanent units. Last month we presented a condensed one hour version of the opera "Madame Butterfly" which was seen and heard by more people in two weeks than have seen it at the Metropolitan Opera House in over twelve years. We have presented at popular prices famous ballets such as "Scheherazade," "Coppelia," and Tchaikowsky's "The Nutcracker Suite," and interpretations of Ravel's "Bolero" and "La Valse," to rank with anything done in America or on the Continent before the war. We have offered the finest of

music, from the old established favorites to contemporary composers, whose works have been given a hearing for the first time by our Symphony Orchestra. On our radio program a few years ago we were the first to give a series containing all the symphonies of Sibelius, the great Finnish composer whose "Finlandia" later became such familiar musical fare during the winter of 1939-40 as a tribute to his staunch little country. When we appeal to the better taste of the public we can always safely underwrite a success.

Reference has been made to the growing intelligence of the American public, definite evidences of which are to be found everywhere. The economic problems and difficulties of the past decade have made us realists as compared to living in the fools' paradise of the '20's. The present decade will make us even more realistic. Money is no longer the great determining factor in American life, although the gaudy display of wealth is still important to some people, but their days are numbered. A great leveling-off process is under way. Class distinctions are fast disappearing. At the Music Hall, where we have often played to more than 30,000 people in one day, we draw from the elite of Park Avenue and the carriage trade. But our real mainstay is the man of lesser income, who is no longer satisfied with mere quantity but knows, understands, and prefers quality.

Changed Attitude of American Public

A considerable number of the titled aristocrats of Europe are seeking refuge in this country. A few months back, you may have read of the number of Rolls-Royces these wealthy and titled Europeans had brought to America. That was indicative of the old order. Over here they probably were surprised to find that the matter of a high-priced car no longer implies social significance, and that the great majority of Americans drive their own cars. If they had been here twelve years ago, they could not fail to note the comparative number of lesser-priced but equally good-looking cars which are so generally used all over America today. This is just one instance of the changed attitude to which the American public has adjusted itself without a murmur.

When I had the privilege of addressing this group twenty years ago, life was much less complicated than it is today. We had passed through a great World War, not in grave danger, so we thought, of entering another. We were in that hiatus between one chapter in the nation's history and another, on the threshold of the roaring twenties. Today we are embarking upon a new era, regardless of which way the tide turns, and whether we like it or not. The "good old days" are gone forever. We are presented with a challenge greater than any we have ever met before. You must meet it with courage and optimism and look upon it, not as an end of everything, but a beginning of a magnificent opportunity, a test of the American people as a whole, and of our way of life. If you approach the new era in that fashion you will find yourself in line with the courageous Americans of tomorrow.

I look ahead with optimism because I have faith in the great American public, in their steadfast courage, their sincerity, their honesty, and their initiative, and above these, their growing intelligence in meeting the future.

Wartime Business, Inflation and the Credit Man

The topic of the day is war. Whether we wish it or not, this country of ours is operating on a war basis. We do not now know, and we may not know for many months, when we will become active shooting partners of the British in this conflict. But, we do know that the times demand a war economy in the United States. And we can see around us every day visible evidence of the vast preparations this country is making against the day when we can no longer remain even technically neutral.

It is your job and mine to begin now to formulate our ideas as to the effects of this vast war program on various types of business, even as we continue to hope that, by some miracle, Hitlerism can be destroyed without our direct participation in this second great World War.

We know that there are today being set up in the United States the greatest facilities for the production of the implements of war the world has ever seen. Not yet are these facilities in production, but when they are they will far exceed the outputs of the Axis countries. No dictator, no economic dictator at Washington, is needed to tell us that we cannot set up a complete new industry of such vast proportions that it is four or five times as large as our largest peacetime industries—automobiles and steel—and not face economic changes in the process of doing that.

View of Present Conditions

During the recent past, I have had the opportunity to gain some very valuable firsthand information of the progress being made in setting up this new arms industry in the United States. In the past three weeks, alone, I have flown between eight and nine thousand miles across the country and back, north and south, and I have traveled a good many hundred additional miles by car and by train. I have seen the expanded industrial plants operating on a twenty-four hour basis in New England and the Mid-Atlantic States; I have seen those sprawling, gigantic, expanded plants in the Middle West; some of the new assembly plants, powder plants and shell loading plants, that are scattered at the foothills of the Rockies in Colorado; and I have traveled that 1,500 mile stretch of aircraft plants and shipyards, naval bases and army cantonments that stretches from San Diego to Seattle. It is an amazing experience to see something of the progress that is being made.

Certainly, we are making mistakes. Labor troubles, which are utterly senseless and doubly costly in times such as these, have slowed the whole program. There

STANLEY N. SHAW*

Vice-President-Editor, Economic and Investment Advisory Publications,
Standard and Poor's Corporation,
New York, N. Y.

have been serious mistakes in planning, in execution, and in personnel. All sorts of bottlenecks have developed to hamper the construction and operation of these new plants. Machinery and supplies are not always arriving on schedule. Vital raw materials are not always on hand when needed. But, no war program, no emergency undertaking as vast as this could ever meet its schedule in full.

Our Progress to Date

In cold truth, however, I can say we are gaining momentum. Our progress in the past year far overshadows our production effort in the first year of the first World War. Then, we were totally unprepared when we entered the conflict and we had hardly begun the production of arms when the war was finished. No American planes or large guns ever saw action on the Western Front of twenty-three years ago, even though we did accomplish the almost unbelievable task of assembling and transporting to a war front 3,500 miles away an army of over two million men.

Mechanized war is vastly different from even the war of 1917-1918. If you had seen, as I saw some time ago, that grim, silent, steel-helmeted group of regular army soldiers in their cheap cars and gun carriers, moving quietly through the midnight darkened streets of the outskirts of Los Angeles to take their places at a well-known source of labor trouble, you would have gotten some conception of just what a mechanized army looks like and how possibly it may sometime be called upon to operate.

Obstacles to Overcome

Equipment is far more complicated; the armies that were led by bands and accompanied by flags are seen no more. The modern bombing planes, for example, needed by the thousands, cost five or ten times as much as the lumbering old crates of the World War vintage. The modern tank is so complicated, so speedy, so completely streamlined, that it makes the tanks of the World War vintage look like baby carriages. Guns are heavy, operated on motor transports, built with greater firepower than anything we have ever had before. So are battleships. All of this is complicated, is costly to pro-

*An address delivered before the 29th Annual Conference and Credit Sales Forum, New York, N. Y., June 17, 1941.

duce, and the setting up of machinery to produce it is a terrific task. Production of equipment is not only a great task but requires large supplies of labor.

We started late in this world rearmament race. Only two years ago, when the President asked for his first two and a half billion appropriation for arms, we were amazed at the amounts called for, even though we thought we were already doing something to get ourselves prepared. And that two and a half billion dollar program, called for just twelve months ago, has already become a forty billion dollar program. If we enter the war on a shooting basis, it is going to become an eighty billion dollar program, and maybe one hundred billion.

Billions don't mean very much, but we might make this comparison: It only cost us twenty billion dollars direct cost to fight the whole last war, so our program, without planning to fire a shot, already calls for twice what it cost to carry on that war. And if we fire a shot, it will cost four or five or ten times that much.

Modern Equipment and Design

Fortunately, however, we have jumped our first hurdles fast in this program getting ready for defense or shooting war. We quickly realized how vast our ultimate program would have to be. We began to plan accordingly, drawing both on our own World War I experience, and on those of Europe in the present conflict. We will be improving and redesigning as we go along, but we have already made most of the decisions needed as to types of equipment and the plants needed to build them. Many of these plants are even now in full production and practically all of them will begin to come into production before the end of the year.

The "growing pains" state of this war production program is passing. We are now ready to buckle down to mass production, even though it seemingly takes the army itself to convince some labor leaders that the country is not fooling. We are indeed as far along with our new munitions industry as we were in October and November of 1918. If the shooting starts tomorrow, we will be assured that this new munitions industry—which began at scratch a year ago—will be in there punching, from the very start.

Results of Defense Efforts

All of this inevitably spells an industrial boom. Armament is, by its very nature, artificial and abnormal, but this boom will not be brief, even though built on the shifting sands of war. We have at least three to five years of pressure production ahead of us. We cannot quit now until we are fully prepared to meet all comers. Obviously, if we are to become an active participant, the stimulus will be all the greater and all the more dangerous. We must risk the danger of a terrific let-down when the boom is over, because we must subordinate everything to the urgent war needs of today.

The economists have been telling us what terrific dislocations we must face. Some dislocations we cannot avoid. We must cut down on our buying of many things—automobiles, for example—which absorb men and materials required in the war effort. We must cut down on the number of styles and varieties of other types of consumer goods. We must even begin to ration in some lines. We must accustom ourselves to taxes which

place a far greater burden than hitherto on individual buying power. We must shift from a spending philosophy to a saving philosophy, in order to absorb the huge amounts of new Government securities which will have to be issued.

I disagree wholeheartedly with the professional economists who try to scare us to death. We are due for some jolts, and we must make some sacrifices. We cannot have "business as usual," but we can adapt business to the needs of the times. Business as a whole will continue to expand. Our lives will not be regimented. We can satisfy our wants in large part, but we can postpone some purchases and we can do without a few things. As a whole, we will be better off with high employment and wages, and the famous "submerged one-third" will now have its day at the market place.

The economists, however, have been telling us that this will lead us to some terrible inflation. They paint a dire picture. They point out that all wars are inflationary. Reasoning on the basis of past experience has many merits, but at this time, and in this country, some of that reasoning is just plain cock-eyed.

It may be unorthodox, and among economists it is unpopular, to take the view that serious wartime inflation in the United States can and will be checked. In fact, the man who takes such a viewpoint is considered almost a heretic or at least naïve.

Inflation Can Be Checked

I hold no brief for the Government officials who have taken on the weighty responsibility of controlling the inevitable inflationary trends of wartime. Not by the widest stretch of the imagination can these Government officials be called supermen. Before they are through, they will make some utterly ridiculous mistakes. Nevertheless, I believe that inflation is a disease which can be checked by relatively simple remedies, if these remedies are applied in the early stages.

In this country, we have so long feared and discussed inflation that I am sure we are not going to see it. At least, we will not see it in its more virulent form during the wartime itself. The watched pot never boils, nor does that which is expected and discounted by everybody in advance ever occur. We have feared inflation for so long in the United States—ever since the fifty-nine cent dollar was expected to do dire things to prices—that we have set up some more or less automatic safeguards.

My definition of inflation is quite simple. As one famous authority has called it: It is a specialized kind of bad ending to an artificially stimulated business boom. It is the poison in the dessert. It is a condition of more rapid rise in price levels than in supplies of goods. When purchasing power rises more rapidly than production, price levels inevitably get out of control. The tail tries to catch up with the dog and both go into a vicious spin.

Control of Prices and Purchasing Power

Obviously, if production facilities in this country should be fully converted to arms, we would not have adequate civilian supplies. But, we can ration our supplies, we can control prices, and we can cut down speculation. We can encourage the investment of surplus purchasing power in Government securities, and we

can tax. Above all, we can tax! The machinery has already been set up at Washington to ration supplies, to exercise a considerable degree of control over both prices and raw materials and finished goods, and taxes are beginning to siphon off some of the excess purchasing power that has been created by full employment and full operation of our industrial plants.

We cannot have our cake and eat it too, but we can have a sufficiently regulated business structure to produce the needed implements of war without unduly inflating our economy. We can do this first because we are not a country already impoverished by war, but have vast natural resources, productive facilities and labor supplies. Our banking authorities have, moreover, broad control powers at their command to limit the extension of credit for non-essential lines. We learned much from the last war; our non-monetary inflation controls are being set up and, in fact, most of them have been operating for six months to a year, operating in a way that indicates they will begin to give us the medicine before the poison overpowers us.

Effect of "Boom" on Salaried Classes

Industries which do not pull their oars in the defense program or do not supply necessary consumer goods products will be pinched. But, the country as a whole will be better off than if we tried doing "business as usual" while spending upwards of twenty billion dollars a year on national defense.

Members of the National Retail Credit Association and of the Associated Credit Bureaus are primarily interested in the outlook for the individual consumer, and want to know whether his purchasing power will be maintained; whether his credit standing will be improved or weakened during this emergency period; which classes of retail buyers will benefit and which may suffer from the conditions arising out of the war.

Obviously, the salaried classes in the United States will not be particular beneficiaries of the war boom. Higher salaries will, for the most part, be offset by higher direct and indirect taxes and by higher prices in various lines of commodities. The investor class, living off its dividends and interest, will likewise be somewhat penalized because of higher taxes and limited dividends. Labor, of course, will immediately benefit by reason of increased employment, longer hours, and high wages. But the benefit even to the industrial worker will be only temporary. Ultimately, this wave of wage increases will run its course and higher costs will begin to catch up with them, even though inflationary rises are avoided. We can avoid inflationary rises, a fifty per cent rise such as occurred when we entered the last war and a fifty per cent rise that occurred immediately after the shooting stopped, but we can easily have a ten per cent rise this year and another ten per cent next year. I do not call that inflationary, but it is a rise that will begin to penalize purchasing power and go quite a way to offset higher incomes that industrial workers will receive.

Consequently, the time has come for banks and other credit sources to keep watch on borrowings for non-essential purposes. The time has come for credit agencies to scrutinize closely the position of the individual who wants to mortgage his income too far ahead. We must realize that the time is approaching when we will be called upon to make sacrifices to buy defense securities.

We must realize that the Government will soon be turning on the heat to sell its defense securities. We must be preparing for greater tax burdens.

As I see it, all this points to the necessity for increasing caution in the retail credit business. It does not mean that retail business will be poor. Quite to the contrary, the present upward trend has a great deal farther to go. But, there is a limit. It is not too early to begin putting on the brakes. The wave of consumer buying that has swept the country in recent months will undoubtedly give way later this year to a period of caution and let-down. I think that will be surprising to a good many people, but you and I know there has been a great rush to buy all kinds of things, from canned goods to automobiles, in the last two or three months. All that buying is motivated from the thought that price levels are going up or automobiles are not going to be available or quality not so good, and there has been far more buying by the consumer than his consuming power justifies. In other words, he is building up a surplus of consumer goods of one kind or another in his own hand, and, later in the year, there will have to be a period of let-down and absorption of those goods. And so I say that while retail trade as a whole has a period of further expansion ahead of it, we likewise, later in this year, must look forward to what might for the moment look like a rather sharp letdown in a good many lines of retail trade.

The Credit Executive's Place in Defense

We can, I believe, carry through this whole war period without more dangerous varieties of inflation and, if we do that, we will be doing a grand job. We will have to accept increasing federal regulation and it will be very well if we all help put on the brakes. But, controls can be fumbled from time to time, and they will be. There will be periods of uncertainty and inflationary moves, but bungled controls are better than actual inflation.

It is the credit man's job to recognize the responsibility for curbing the enthusiasm of those who would like to see another silk shirt era in this country, during this coming war period.

BINDERS

for The Credit World

PAMPHLET type with stiff blue fabricoid covered sides and the words "Credit World" lettered in gold. Holds 12 issues. There is an individual wire for each issue, easily inserted. Every member should have a binder for each volume. Price, \$1.35, postpaid. ❖ ❖ ❖ ❖

Order from

NATIONAL RETAIL CREDIT ASSOCIATION
1218 Olive Street St. Louis, Missouri



The Past, Present and Future

MISS ETHEL M. DOPP*

R. J. Martin & Company, Spokane, Washington
President, Credit Women's Breakfast Clubs of North America

This is the same story with a new title and another page added. We wonder sometimes if you tire of this story; we hope not. Is it not true after an endeavor is launched, unless it is kept before the public eye constantly, it will be absorbed in the busy turmoil of this life?

It is said the best photography produces the effect of three dimensions and gives a depth of focus which simulates reality. The scene in my story is based on three dimensions, the past, present and future of Credit Women's Breakfast Clubs of North America.

Focus upon the memories of the past of our organization for a moment; the mother of our first Credit Women's Breakfast Club, Edith Shaw Johnson, had a dream which became a reality in April, 1930, when our first Credit Women's Breakfast Club was organized in Portland, Oregon. She had a depth in her vision of the great potentialities of a Credit Women's Breakfast Club as a constructive factor in the field of credit. She realized that great accomplishments could be achieved through a more sympathetic understanding of the other fellow's problems, brought about by the creation of good fellowship.

For the benefit of those who might not be familiar with our organization I will define our purpose as set forth in our constitution. The primary purpose of our organization is to promote the interest of credit women in their profession and in part to further the education of its members in the methods, practices and general procedure of credits and collections. To promote good will, fellowship and a better understanding among its members by personal contact and association and to bring a closer cooperation between the Credit Departments and Credit Bureau.

Our membership embraces the young girl just starting in her career as well as the woman credit executive. We feel that the filing clerk plays just as an important part in the success of a well organized credit department as does the credit executive, and her job means so much more to her when she has a realization of the importance of the part she plays in the success of her department. We can't all be Joan of Arcs, but in their chosen field, the heroes and the heroines are those who give their best at all times in a cooperative manner.

*An address delivered before the 29th Annual Conference and Credit Sales Forum, New York, N. Y., June 17, 1941.

The enthusiasm of that then small club in Portland, Oregon, was far reaching and soon others were embued with the desire to further this endeavor. By May, 1934, there had been six clubs organized in District Ten and a few others at distant points throughout the country. Prior to the district conference that year in Tacoma, Washington, notices were sent to these clubs informing them of a meeting of breakfast clubbers to be held during the conference.

The purpose of this meeting was to unite the enthusiastic efforts of these six clubs in organizing breakfast clubs throughout the United States and Canada. Out of this meeting, the first District Breakfast Club Council came into being, known as the Pacific Northwest Council of Credit Women's Breakfast Clubs, and as well a definitely planned extension program.

The following year the seed of enthusiasm began to take root in various parts of the country, and the next district to form their Council was the "Dixie Council," which comprises districts three and four, where the extension work was well under way.

Up to the time of the Silver Anniversary Celebration of the N. R. C. A. in Spokane, Washington, June, 1937, there had been sixty-one clubs formed throughout the United States and Canada. Another announcement of a general meeting for Breakfast Clubbers went forth and delegates from these sixty-one clubs met on June 15, 1937, in Spokane to interchange their ideas on an International perspective.

On that day the fulfillment of every Breakfast Clubber's desire was realized. The Credit Women's Breakfast Clubs of North America was born. During this convention, it was voted to make our organization a division of their great organization; a recognition which has been responsible to a very large degree for our success.

Clubs began to spring up rapidly and districts formed their Breakfast Club Councils. At the present there are 170 clubs of which 148 are affiliated with our International and every district comprising the geographical arrangement of the N. R. C. A. except two have formed their Breakfast Club Councils.

Last year we were accorded another honor by the National Association, when they appointed to their Board of Directors, the retiring president and active president of the Credit Women's Breakfast Clubs of North Amer-

ica. We are happy to know that we merited this recognition and it brings to us more clearly our responsibility as credit women. We will ever strive to uphold the fine principles fostered by that organization.

This is a splendid example of the accomplishments that can be achieved through the uniting of a keen enthusiasm for a purpose. As we all realize, the success of any venture can always be attributed to enthusiasm, and the art of constructive application of that enthusiasm. When Michelangelo was asked the question, "To what great factor do you contribute your success?" he answered, "Constant application. If one has the spark, the flame will ignite if it is fanned."

The Present

Today is the time to make our life count in every way by growing better and better. The trend of the present time seems to demand a greater degree of efficiency in every line of endeavor, and certainly there is no more important endeavor than that of the credit profession. Why should we not then, be most anxious to avail ourselves of every opportunity and open the avenues for others, where there is afforded the advantage to further the knowledge of this profession?

At no time in the history of the credit profession has there been the need for such efficiency. Those who resist the current may find themselves caught in the whirlpool that will eventually drag them down or leave them stranded on the shores far behind their more aggressive fellowmen. For the proper administration of an efficient Credit Department, great care must necessarily be taken to see that each girl is well trained to fit the position. This foresight must be exercised to insure the protection of your accounts.

You will ask yourself the question, "Does the Credit Women's Breakfast Clubs equip its members with such training?" The answer is "yes it does" through the splendid educational program which we sponsor. Take for example our educational outlines which the clubs have just completed this past year; "Putting Your Best Foot Forward," compiled by Aline Hower, Letter Counselor for the National Retail Credit Association. This title alone is symbolic of what we train our members to do, namely, "to put their best foot forward." The subject matter contained in this course develops the personality and the character as well; the ability to construct good letters and we are all aware of the importance of effectiveness in this mode of communication in business.

This coming year's program will contain lessons on Public Speaking, Office Etiquette, and continued lessons on Business English. Stop and reflect on the importance of every one of these subjects to a well conducted Credit Department. Through this training, we are preparing our members for higher educational programs which are carried on each year by the National Association. I am sure it would be a revelation to know how complete the educational program is which we conduct.

The future can be touched by reaching out for it now. Those of you that do not have a Credit Women's Breakfast Club, we enlist your services in this most constructive endeavor, one which will reap countless benefits for your community. Surely you will want your girls represented in such a worth-while organization and enjoy the

advantages it affords. We are continually striving to furnish future advantages to our member clubs.

In not too distant a future, you will be proud that you played such an important part in the building of such an outstanding organization as the Credit Women's Breakfast Clubs of North America. Following is our Creed:

I believe in the principles and purposes of Credit Women.
I strive always to become more efficient.
I move forward in the endeavor of Credit.
I protect the confidence entrusted to me.
I am ready to give as well as to take.
I cooperate universally for the welfare of Credit.
I am loyal to my Club, in thought, word, and deed.
I am true to myself, my associates, and to my God.
I maintain, always, "Faith, Vision, and Courage."

These noble attributes have carried us through the past, will protect us during the stressed times of the present, and will assure the permanency of our organization in the future.

HOW TO MAKE YOUR CUSTOMERS SAY

*"It's Fun To
Buy Here"*



IT'S EASY to attract new customers and keep old ones when you make it more fun for them to buy. That's why leading stores all over the country are turning to this modern credit system—Rand McNally Budget Coupon Books. They're so simple and easy to use that customers find new pleasure in shopping this modern way.

Yes, customers like it. That's shown by sales increases where Rand McNally Budget Coupon Books are used. Credit managers like it, too. For here's a plan that enables you to sell credit . . . to control it better . . . to eliminate lopsided charge accounts . . . to cut bookkeeping costs.

Investigate this more modern, more practical credit system. Write today for full information about Rand McNally Budget Coupon Books. Address: Rand McNally & Company, Dept. C-8, 536 South Clark Street, Chicago.



RAND McNALLY BUDGET COUPON BOOKS

Credit Department Letters

Aline E. Hower

"Whether blonde, brunette, or red head, I would hire any of them, sight unseen!" said W. R. Arendt, General Manager, Retail Credit Bureau, Little Rock, Ark., a judge in the national letter-writing contest of the Credit Women's Breakfast Clubs of North America. "All of the letters submitted are good," went on Mr. Arendt.

Another judge in the contest, Mr. Wells J. Huntley, President, Retail Service Bureau, Seattle, Wash., was equally enthusiastic: "All of the letters are so fine that I would like a special letter written each girl thanking her. It was really hard to pick the winner from the splendid entries."

"I'll see that the letters are written," smilingly promised Ruth Coates, Educational Chairman, Credit Women's Breakfast Club, Miami, Fla., at the meeting of the judges during the National Convention in June.

The letters submitted were on the subject of declining accounts and the winner of the trophy was Miss Elizabeth Davis, Joseph Kuhn & Co., Champaign, Ill., who is also President of District 13. Inscribed on the loving cup is the following: "Letter Writing Trophy, C.W.B.C. of N.A., 1941, presented by Ruth Coates, won by Elizabeth Davis."

The Winning Letter

Thank you for the recent application for a charge account at this store. It is truly appreciated and has been given careful consideration.

As is customary on all applications, we have endeavored to obtain information that would serve as a basis for credit. The complete report, based on the information you gave, does not furnish sufficient data to meet our definite requirements. For the present, therefore, we regret our inability to comply with your wish.

However, we are grateful for your consideration, and assure you that we can at all times offer such merchandise, prices, and service as will merit your confidence and patronage.

Honorable Mention

Honorable mention should be given the following entries, and as space does not permit quoting the entire letters, a part is given to show how expertly they were worded:

Miss Madge Harkins, J. M. High Co., Atlanta (Districts 3 and 4), "Your presence in our store is most welcome and appreciated. We know that you are interested in merchandise that can be purchased for its quality and economy."

Miss Maude Somers, Ransohoff's, San Francisco, Calif. (District 11), "Should our merchandise please you, and you care to make selections on a cash basis for the time being, we shall appreciate your business. It is always our sincere desire to give the same outstanding service to our cash customers that our charge customers enjoy. Perhaps at some future date, when you are better established, you will visit our credit department again."

Another splendid entry also considered was that of Miss Ethel E. Vaughn, Rosenblatt's, Portland, Ore.

(District 10), "The growth of our business is measured in large part by the new accounts opened and we should like very much to number you among our charge customers. Your application has been given thoughtful consideration and your references carefully checked. However, the information we have been able to obtain is not sufficient for the opening of an account at this time. If you can give us other references, or if you should like to discuss the application further, please call at the Credit Office. We shall be glad to talk with you again.

"In the meantime, since you have selected merchandise which pleases you, may we hold it for you under our convenient Lay-Away Plan? If one-third payment is made and arrangements made for future payments, we shall be glad to put the goods in our Will Call. Merchandise can be held ninety days under this plan. At any rate, we are going to hold it three days so that you may have an opportunity to phone us or come to the office."

This Month's Illustrations

The picture at the top of *Illustration No. 1* from J. Goldsmith & Sons Co., Memphis, Tenn., recalls an extremely pleasant visit to that progressive organization some months ago. The letter is quite in keeping, pleasing in appearance, cordial in its opening, inviting as it goes on, and definite in the third paragraph. A letter to a new customer is not an easy assignment. It takes tact and definite ability to write a letter like this.

Illustration No. 2 is from Portland, Oregon, and the letter lives up to the friendly, alert atmosphere of this delightful city. Mr. Wallace S. Swan, Credit Manager, Joe Fisher, Distributor Dodge-Plymouth, Dodge Trucks, has written one of the most cordial, friendly letters of its kind that I have ever seen. The letter breathes service from start to finish. It is most action impelling, and Mr. Swan should receive many interesting and splendid responses from it.

The Emporium, San Francisco, comes in for a nice bouquet on the Credit Letters Page every now and then. *Illustration No. 3* is a particularly good example. It is letter No. 2 in the Paid Budget Account, and uses the powerful approval appeal in the opening. Here is a typical example of how the Credit Sales Manager, these days, is boosting the sales of his organization.

Illustration No. 4 is another of the effective forms from Brown-Dunkin Dry Goods Co., Tulsa, Okla. It invites Charge-Plate holders at the Oklahoma City store to also use them at the Tulsa store.

Kline's, St. Louis, have done an excellent job in *Illustration No. 5*, another letter to a new customer. This letter is friendly from start to finish, and the little note size stationery has a tendency to make it more personal. Notice the complimentary close, "Very cordially yours."

ADDRESS ALL COMMUNICATIONS
TO THE COMPANY



J. GOLDSMITH & SONS COMPANY
MAIN, FRONT AND GAYSON STREETS
MEMPHIS, TENNESSEE

January 26-1940

Mrs. Mildred Hankins,
46 North Montgomery,
Memphis, Tennessee

Dear Mrs. Hankins:

On January 20th, we received your application for a credit account and we wish to thank you for giving us this opportunity of serving you and your family.

Our house has opened your account and we have many departments so you can find almost everything for the whole family here. Our merchandise is always choice, new and priced consistent with savings and service to the customer. We are prepared to fill all orders received by mail or by wire with the same dispatch and accuracy as when you make your purchases in person.

Our credit rules call for the payment of all bills not later than the tenth of the month following the date on which purchases were made. All purchases made on the last two business days of the month will appear on next month's bill.

We will do everything we can to assure the permanence of our business friendship, the beginning of which is so much appreciated.

Yours very truly,

J. GOLDSMITH & SONS COMPANY

JJV-R

①

The Emporium
SAN FRANCISCO

WHOLESALE
ASSOCIATED MERCHANDISING CORPORATION
METAL RESEARCH ASSOCIATION

June 11, 1937

Mrs. George Phillips
208 Van Ness Ave.
San Francisco, Calif.

Dear Mrs. Phillips:

We wish to thank you for the prompt manner in which you paid your recent budget account with us, and to tell you how much we value such loyal patronage.

Please feel free to come in at any time and use this credit which you have already established here. It will not be necessary for you to fill out the form again. Mrs. Phillips - just go to the Credit Office or to a Credit Desk and make arrangements for the payments, at the same time you make your purchases. Credit Desks are now established for your convenience on the First, Second and Third floors, and in the Downstairs Store.

It will be a pleasure to welcome you soon again in our store.

Cordially,

Frank D. Francis
Frank D. Francis
Credit Sales Manager
THE EMPORIUM

FDP:W

③



JOE FISHER
DISTRIBUTOR
DODGE-PLYMOUTH
DODGE TRUCKS

PORTLAND OREGON

Phone - BR. 8515

February 9th, 1940

J. P. Nelson, Credit Manager,
CHARLES F. BERT, INC.,
616 S. W. Broadway,
Portland, Oregon.

Dear Mr. Nelson:

We all know the finest institution in the world is the good American home. For this reason a new family in the neighborhood has little or no trouble getting acquainted.

With a new business firm in the city, it is a little different. We are new in the business circle of Portland, and our first thought was to get acquainted --- make friends with our owners.

Possibly our method is faulty somewhere, as I have just learned we have not made your acquaintance.

The next time your car needs attention, call at our Service Department at Sixteenth and Alder. Mr. Hendricks, the Superintendent, will be watching for you.

If you have a few minutes to wait, please come down to the office. Better yet, let me know and I will meet you --- otherwise you may become delayed as you pass through our display of beautiful new cars.

Very truly yours,

JOE FISHER

Joe Fisher
Credit Manager

W.S. Swann
C.L.

Note:

If you need some service on your car in a hurry, call me on the phone. We will be glad to pick up your car and deliver it to you without additional cost.

②

THANK YOU

Thank you for the purchase that you recently made in our store using your "Brown" Charge-Plate.

We invite you to visit us often and to avail yourself of the many services offered to the "Brown" customers in Tulsa.

BROWN-DUNKIN DRY GOODS CO.
Tulsa, Oklahoma

NOTE: Our Charge Account terms are the same as Brown's. Payment is due in full by the 10th each month.

④

KLINE'S
DRY GOODS AND FURS
101 LOANS RD.

⑤

Dear Miss Creighton:

It has come to my attention that you have opened a charge account with this store, and I want you to know how much we appreciate your good will and the confidence you place in us.

We hope every contact you have with us will be pleasant - every transaction satisfactory. Should you feel that we might serve you with a greater degree of efficiency at any time, I shall consider it a personal favor if you will let me know.

Very cordially yours,

KLINE'S

Wm. A. Pickrel
Manager

TAP:ASB
April 29, 1940

DAVID FREUDENTHAL*

Vice-President & Controller
Bloomingdale's
New York, N. Y.

A Proposed Credit Program for the Next Few Years

The great philosopher Darwin gave as his definition of life, "Life is the constant effort of an organism to adjust itself to a changing environment." This definition applies perhaps with equal force to any discussion of credit, or to any discussion of a credit program for the next few years. If any phase of business activity fits into Darwin's definition of life, credit extension does. We must constantly be adjusting our credit policy to a changing economic environment. This element of adjustment goes even further in the more complicated structures such as credit extension, because the adjustment must take place in *advance* of the fact. In advance of a period of economic ease, the credit belt must have already been let out so that business can flow freely, and conversely; in advance of a period of business depression, steps must have been taken to have the outstanding accounts in good condition.

Credit Policies of the Future

I do not wish to forecast what is ahead of us, and yet some estimates have to be made on which policies can be formulated. Unpredictable elements at the present moment are probably greater than at any prior time in the economic life of this country, particularly insofar as they relate to a prediction of the time element. By this I mean that it is quite easy for all of us to guess that so long as the war economy continues, there will be more people employed, and that retail credit will be at ease, in terms of both the collectibility of the accounts and the volume of business done. The uncertain question, of course, is the date of the reaction which will inevitably take place. Therefore, perhaps with this uncertainty as to time we must pursue two courses simultaneously: (a) During the immediate future we must get as much business as we possibly can, or will be allowed to get; and (b) we must get it on such a basis that bad debt losses will be minimized. That is a simple statement, and very easy to make, but hard to fulfill.

The difficulty consists, during times like these, in rejecting a gospel of pessimism, yet at the same time in being fully aware of the elements of pessimism and not shut our eyes to them. This means that one must have a balance and a perspective regarding these pessimistic elements, and still see the problem through to the point

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where we will minimize the ultimate losses that may be sustained. This means a dynamic viewpoint toward credit extension in terms of an adjustment to the changing economic conditions. We must definitely plan for the post-war period, and before that we must plan for the probable restriction that will be placed on credit extension which, if not done cooperatively among ourselves as purveyors of retail credit, will be superimposed upon us by Government limitation. Let us survey the background of retail credit in this country in order to have some basis for constructive thinking.

Growth of Consumer Credit

Credit extension, and particularly installment credit, found its greatest growth in the latter part of the 20's. It has been estimated that in 1929 there were outstanding \$8,183,000,000 of retail credit accounts of all kinds. Of this amount, \$3,300,000,000 were for retail installment credit. These figures dropped in 1932, it is estimated to \$4,957,000,000 of total retail credit accounts, of which \$1,400,000,000 were retail installment credit. In the eight years from '32 to '40 we find a growth which was fairly steady, excepting for the period from '37 to '38. But at the end of 1940 with \$9,190,000,000 the total retail credit outstanding, \$4,036,000,000 was retail installment credit. This amount of consumer credit is at a record high.

We are all familiar with the history of bad debt losses during the last eight years. The high point of loss on open credit accounts was reached in 1933 when bad debt losses equalled 2.2 per cent of the open credit account sales. The high point on installment sales was reached in 1932 when bad debt losses equalled 5 per cent of installment sales. Considering all of the factors, it is not a bad record, particularly because the recovery has been fairly consistent since those days. How different is the situation today from that in 1932, and how serious will the repercussions be unless we do something about it? Bear in mind that we have nearly twice as much total consumer credit outstanding in 1940 as we had at the end of 1932, and that it is estimated that the amount of outstanding installment credit at the end of 1940 is nearly three times as much as we had in 1932. There can be very little doubt but that credit facilities have been opened up in the last eight years, particularly in department stores, which were not available prior to '32. All you have to do is to look at the retail advertising

of eight years ago, and compare it with that of today, and the difference is quite startling.

Changes in Credit Policies

It was a rare thing eight years ago to see department stores advertise soft goods on installment terms. Today, it is quite a common method of selling. I use the department store field merely as an example. I want to indicate that if such is true in this field, probably retail credit extension expanded in equal proportions in other fields. I know, for example, the extent to which cash lending has increased in the last decade. The statistics recently published by the National Bureau of Economic Research indicate that direct cash lending at the end of 1938 was twice as great as it was at the end of 1929. That is to say that—1937 equaling 100 per cent—1938 was slightly over 100, and 1929 was 50.

The extent to which consumer credit has grown, particularly in the installment field, is one factor that may have an effect on the day of reckoning if, when, and as it comes. Certainly most thinking today is along the lines that we should in the next few years so conduct retail credit extension, particularly in the installment field, that it will be in a good position when conditions have radically changed. In the interim it is vitally important not to so freeze credit that we do not do our share of business. And yet, it is the quality of the business that is going to count more than anything else in the next few years.

Curbing Installment Credit

Business Week for May 24, 1941, devotes a leading article to a discussion of the curbing of installment credit. It points out that the economic theorist has always looked upon the use of installment credit as a means of leveling out peaks and valleys in the national economy, and that the facts in the past always worked opposite to this theory; namely, "that when times are bad, we do not liberalize terms, and stimulate consumer purchasing, and that when sales are booming, we do not tighten up on terms and keep the boom in hand." What I got out of the article was that undoubtedly with production shifting more and more to war industries, restrictions will have to be placed on consumer credit in order to act as a curb on increasing diversion from the war industries. The first curb has been in the direction of limiting installment credit on automobiles. With the increase in the size of the national pay envelope, and with more and more restrictions on automobile buying, there is a likelihood of an increased demand for other consumer goods. If the sale of these other goods, customarily sold on installment terms, is permitted to be continued on liberal terms, you again have an increase of diversion of merchandise from war industries.

So much for general terms and background. Now,

specifically, what can we do? Starting at once, it seems to me that our credit extension standards should be raised. It has always been apparent that any terms offered to the retail public will work out satisfactorily, provided the standards of eligibility are: (a) Sufficiently restrictive to eliminate bad risks; and (b) strictly adhered to without interference from anyone outside of the credit organization. It is an old rule that standards applying in one locality do not apply in another. Certainly with the great variation in retail activity as between the various industrial centers in this country, standards cannot apply universally. Even in times prior to this war activity, conditions were different even as between Brooklyn and New York. Ownership of real estate, for example, is a good criterion in Brooklyn. But who in New York City, living as they do in cliff dwellings, owns any real estate?

In the September Issue

"Installment Credit—What Is Its Future?" by R. M. Severa, R. H. Macy & Co., New York

"It Can't Happen to Us?" by J. E. R. Chilton, Jr., Merchants Credit Association, Dallas

"The Art of Interviewing," by Leonard Berry, B. Forman Co., Rochester

"Enthusiasm Makes the Goal," by Ralph W. Matthews, Merchants Credit Bureau, Battle Creek

"Post-War Policies Affecting Retail Credit," by R. Preston Shealey, Washington Representative, N. R. C. A., Washington

Two Important Factors In Extension of Credit

We believe that whatever the standards of eligibility were in the past, whether for open account or for installment credit, two factors should now be emphasized: (1) Fewer of the doubtful or borderline cases should be accepted; and (2) in all cases, the term of the contract, which now becomes increasingly important, should be shortened. In regard to borderline cases, whether they be applicants for regular ac-

counts or installment accounts, it seems to me that past history is the most important factor rather than whether the person has large current income from what may prove to be only temporary employment. The record of past payments is still the important factor in extending credit today. However, should credit be extended on the basis of the new income, the payments should be sufficient to amortize the debts within a short period of time.

A well-known New York banker told me that he can keep his interest rates low, and make a profit because the largest factor of cost in lending money is the losses, and he was interested in prime paper only. Heretofore, in the retail business we have not thought along these lines. We felt that it was no trick for a credit man to have low bad debt losses if he only took gilt edge risks. It seems to me that, today, thinking must be somewhat revised so that the basic standard stays the same, but the number of times that the standard is abrogated should be very few.

Restriction of Terms

During the last few years there has been a gradual increase in the length of time granted on installments. If the future is uncertain, it is quite apparent that there should be a restriction of the length of time so that fewer of the accounts will carry over into the uncertain period. Specifically, it would seem that by this summer we should restrict the sale of furniture to a twelve month period,

(Turn to "Credit Program," page 24.)

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★ ★ ★ and enjoy new business with the use of this new friendly Insert—No. 25 in our series of Collection Stimulators and Sales Builders.

★ ★ ★ expresses a simple, straightforward message appealing to the most discriminating customer.

★ ★ ★ an effective method of thanking customers for their valuable patronage.

★ ★ ★ for use as an enclosure with monthly statements.

PPRINTED in two colors on sixty pound super-calendar paper, size $3\frac{1}{8}" \times 5\frac{1}{2}"$. Shown actual size in the reproduction below. Price \$2.00 a thousand, which includes postage. Order a supply from your Credit Bureau or National Office today.

SEND for free sample folder showing our complete series of Stickers and Inserts designed to improve your collections, discourage overbuying, and promote credit sales.

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NATIONAL RETAIL CREDIT ASSOCIATION
1218 OLIVE STREET ST. LOUIS, MISSOURI

Do You Bulldoze Debtors?

I cannot refrain from expressing my deep disappointment at the last paragraph in Mrs. White's otherwise excellent article. Why, oh why, did not a more magnanimous spirit prevail?

The article was excellent in every way, excluding the last paragraph. With this exception, I thoroughly agreed with every word of it. The sentiments so admirably expressed, revealing such respect and consideration for the feelings of others, did infinite credit to the heart and mind of the writer. Her view that the collection of accounts is a matter of realizing that the debtor is a human being, so completely harmonized with mine that I was prepared to crown her with my enthusiastic and reverent approval until I reached the last paragraph. Then, alas and alack, the vision was shattered and I was left with the cold disillusionment that the idol I had placed on the pedestal of my profound adoration had, indeed, feet of clay!

In my humble opinion, Mrs. White spoiled her entire article by allowing a little human weakness to be manifested in the concluding paragraph. As a matter of fact, the answer to her complaint of the utility company is provided in her own words in the second to last paragraph, wherein she states:

... there is a certain type (of debtor) that makes it a practice to disregard obligations. A collector should be exacting and unrelenting in pressing payment from a person of this description. Debtors in this class are usually the ones who claim 'discourteous treatment' ... notwithstanding they have coaxed hard and long for a little of what they deserved.

Suppose we analyze her complaint, sentence by sentence:

"A public utility company had discontinued their services to me and it was almost a week before I was aware of it." (Apparently Mrs. White does not exercise the same close supervision in her domestic capacity as in her business capacity, and if almost a week went by before she was aware her service had been disconnected she could not have been greatly inconvenienced by the action of the utility.)

"I had not paid my account for two months because I wanted to check some of the items." (The bills of most utility companies are payable monthly and by ignoring the bill for two months she had placed herself in the class which she herself condemned as "disregarding obligations.")

"They promised to send me a detailed statement, but instead they sent me a 'reminder'." (A two-months' past due bill certainly merits a "reminder" unless the creditor is particularly lax in his collections, and somehow the remark that a detailed statement had been promised does not carry conviction. Was the complaint registered in a proper manner with the department concerned?)

"Shortly thereafter an official of the Company called on me during office hours, and in the presence of some of my associates proceeded to discuss the matter." (Surely if she did not wish her associates to hear the conversation, it was her plain duty and responsibility to provide the facilities which would enable the discussion to be conducted in privacy.)

"Do You Bulldoze Debtors?" was the title of an article by Mrs. L. O. Borgeson White, which appeared in the May "Credit World." Taking exception to the last paragraph of this worthwhile article was H. H. Skelton, British Columbia Electric Railway Co., Ltd., Vancouver, B. C., and his rebuttal published here will no doubt be of much interest to our members.

"Three days later another official called and on the following day I received a written plea from the Manager of the Company." (She quite evidently cannot complain that the Company was indifferent to her complaint—I should regard these efforts as a sincere desire on the part of the Company to adjust the matter under dispute. And besides, Mrs. White has put on record her own very definite ideas as to the kind of action that should be taken where debtors disregard obligations!)

"I paid the bill as agreed, and as a result they lost a patron through their supposed rapid-fire method of collecting." (The fact that she "paid the bill as agreed" conveys the impression that the bill was correct in the first instance and that she was satisfied it was in order. I am disappointed that she should have allowed a little spleen to be shown in the last sentence—on the whole she impresses me as being too large-hearted and broadminded a person to harbour vindictiveness in a matter wherein to my way of thinking she was not altogether blameless.)

I may be wrong in some of the above assumptions, for obviously I am somewhat at a disadvantage in only being able to make deductions from the evidence in front of me. Possibly the Utility Company concerned might be able to present quite a different picture of the transaction. They might be able to prove that they spared no effort to try to arrive at a friendly settlement of the dispute, and it was only after all other means had been exhausted that they were compelled to resort to stricter measures.

I cannot help gathering the impression, after reading that last fatal paragraph, that she might possibly belong to that large (unfortunately) section of the public that regards all activities of a utility with a jaundiced and prejudiced eye. I am aware there is a certain amount of unreasoning hostility toward utility companies and the cause of it is difficult to explain. In my opinion, this antagonism is absolutely unwarranted. I have been with our company for over thirty years, and during that period our collection policy has always been to endeavor to be human and fair and just in our dealings with the public; to remember that the delinquent may have got into difficulties through no fault of his own, but from which difficulties, with our help, he may be easily extricated.

All utility companies recognize the fact that in order to retain the good will and respect of their customers their employees must be human and sympathetic in their attitude toward the public. After all, our customers are human beings just like ourselves, with human feelings and

(Turn to "Bulldoze Debtors," page 27.)

June, 1941

The Collection

DISTRICT AND CITY	DEPARTMENT STORES (Open Accounts)						DEPARTMENT STORES (Installment Accounts)						WOMEN'S SPECIALTY STORES						FURNITURE STORES (Installment Accounts)						FLR
	1941			1940			1941			1940			1941			1940			1941			1940			
	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	
Boston, Mass.	50.4	52.6	48.0	50.6	54.3	49.2	15.5	16.3	13.1	15.2	15.6	12.9	47.4	93.0	41.9	50.6	90.2	44.1	—	—	—	—	—	—	68
Lynn, Mass.	52.9	53.6	44.4	55.4	56.0	42.7	36.9	41.0	32.9	37.2	43.3	31.1	—	—	—	—	—	—	21.5	24.6	18.5	17.9	22.8	13	—
Springfield, Mass.	55.9	60.1	51.7	56.0	61.0	51.0	15.3	16.8	13.8	14.5	15.6	13.4	53.9	58.8	49.0	49.5	58.2	40.8	—	—	—	—	—	—	—
Worcester, Mass.	44.2	49.0	39.4	47.3	48.0	46.7	—	22.9	—	17.8	21.5	14.1	43.0	43.8	41.1	44.7	48.0	41.0	—	—	—	—	—	—	—
Providence, R. I.	48.0	73.1	43.9	46.2	53.0	45.8	—	—	—	—	—	—	—	—	—	—	—	—	11.9	—	—	12.2	—	—	—
New York City	47.9	53.1	41.4	48.6	56.6	40.8	17.3	24.9	13.3	18.2	25.7	12.7	43.8	52.9	42.1	45.7	53.8	42.3	—	—	—	—	—	—	—
Syracuse, N. Y.*	—	—	—	40.9	43.2	40.7	—	—	—	16.9	17.2	15.1	—	—	—	—	41.6	—	—	—	—	—	—	—	—
Utica, N. Y.*	—	—	—	27.5	29.6	25.5	—	—	—	—	—	—	—	—	—	33.0	35.0	32.5	—	—	—	—	—	—	—
Pittsburgh, Pa.*	—	—	—	45.8	50.4	36.3	—	—	—	13.3	19.5	12.4	—	—	—	45.4	50.4	36.3	—	—	—	—	—	—	—
Reading, Pa.	58.5	59.5	57.6	57.2	58.5	55.9	—	17.4	—	—	15.2	—	—	51.0	—	—	54.0	—	10.5	11.0	10.1	9.5	10.0	9.0	—
Washington, D. C.	39.2	42.3	35.6	39.6	44.8	35.6	15.7	18.0	14.2	14.4	16.5	12.6	—	—	—	—	—	—	—	—	—	—	—	—	—
Baltimore, Md.	43.2	48.9	34.3	43.1	49.6	34.3	16.9	24.4	9.8	16.0	23.6	9.4	39.6	40.9	37.4	37.7	41.7	35.6	—	—	—	—	—	—	—
Huntington, W. Va.	—	55.1	—	—	54.0	—	—	12.5	—	—	11.0	—	—	34.2	—	—	29.4	—	9.4	—	—	9.1	—	—	—
Birmingham, Ala.	41.7	43.5	38.7	43.6	44.0	43.2	17.4	18.1	16.7	16.9	17.5	16.8	42.3	52.4	35.6	43.8	47.0	41.0	12.1	14.5	9.6	11.9	14.3	9.0	—
Atlanta, Ga.	31.2	34.9	25.6	30.0	33.0	24.1	11.8	12.9	10.7	11.9	13.0	11.4	29.5	34.1	26.5	29.0	31.1	25.8	—	—	—	12.4	12.5	12.2	—
Little Rock, Ark.	35.8	37.4	34.2	35.8	36.0	35.6	18.2	21.3	15.1	19.7	25.5	14.0	—	44.8	—	—	43.5	—	—	—	—	—	—	—	—
Kansas City, Mo.*	—	—	—	67.4	75.3	47.9	—	—	—	—	17.1	—	—	—	—	50.2	52.3	48.2	—	—	—	14.2	—	—	—
St. Louis, Mo.	56.1	65.2	49.6	55.2	63.4	49.3	18.0	22.1	15.4	17.8	20.0	16.5	40.7	47.3	35.4	42.2	51.0	37.0	—	19.9	—	—	19.6	—	—
Louisville, Ky.	—	38.1	—	49.2	58.7	41.9	15.9	17.1	14.7	15.1	15.6	14.7	41.4	50.6	34.0	42.1	48.0	38.0	11.4	14.0	8.8	11.0	14.0	8.1	—
Detroit, Mich.	54.5	69.7	44.9	55.3	69.3	44.1	22.5	26.8	15.9	21.5	25.7	15.3	47.5	49.8	46.0	52.3	55.6	50.5	—	—	—	—	—	—	70
Grand Rapids, Mich.	44.1	47.7	40.7	46.5	49.1	43.4	17.1	18.0	16.1	18.1	19.1	17.1	42.6	46.3	34.4	38.9	43.5	32.5	21.8	28.6	15.7	19.9	22.5	15.1	—
Cincinnati, O.	50.5	56.0	44.9	51.8	56.9	45.7	15.5	19.9	11.8	16.6	23.3	12.1	44.5	50.1	39.4	43.8	55.5	37.4	—	—	—	—	—	—	—
Cleveland, O.	50.0	53.1	47.2	48.4	53.6	46.1	19.2	21.9	16.9	18.3	19.7	16.6	41.0	45.2	37.9	41.9	43.5	37.0	13.0	15.8	9.6	10.4	16.2	9.9	38
Columbus, O.	46.9	50.7	43.2	47.1	50.9	43.3	16.4	21.1	11.9	15.2	18.5	13.5	47.9	51.0	44.8	49.1	49.3	40.9	10.8	11.0	10.5	—	9.7	—	—
Toledo, O.	44.2	40.6	39.3	43.5	53.1	39.4	17.3	20.4	13.8	15.2	20.0	12.5	45.4	47.1	42.0	44.8	49.8	34.0	—	—	—	—	—	—	30
Youngstown, O.	47.6	48.4	46.7	46.8	47.6	45.9	16.9	17.5	16.2	16.0	17.2	14.7	—	42.9	—	30.4	38.6	22.1	—	—	—	17.5	24.1	14.2	—
Milwaukee, Wis.	49.3	59.5	43.4	48.8	56.1	44.3	20.7	23.2	18.5	17.6	19.3	17.4	34.3	51.8	27.0	30.7	52.7	22.3	12.6	13.6	11.0	10.3	10.7	9.2	29
Cedar Rapids, Ia.	56.0	57.7	46.5	56.9	58.0	49.9	21.7	25.0	18.4	19.7	22.0	17.5	—	—	—	—	—	—	—	—	—	—	—	—	—
Davenport, Ia.	51.2	51.5	51.0	52.5	52.7	52.3	15.2	15.3	14.1	14.1	15.1	10.0	—	—	—	—	—	—	16.4	—	—	17.4	19.3	15.1	—
Des Moines, Ia.	43.1	49.0	35.6	43.9	44.1	36.1	—	11.1	—	—	11.5	—	45.5	55.8	39.4	43.2	55.3	36.0	—	—	—	—	—	—	—
Sioux City, Ia.	43.0	45.0	41.0	42.7	44.0	41.4	17.4	18.7	16.1	15.6	17.1	14.1	—	38.0	—	—	40.0	—	16.6	—	—	17.8	—	—	—
Minneapolis, Minn.	63.2	65.2	61.4	65.0	70.0	61.1	18.5	20.3	15.3	17.5	21.0	14.4	63.3	67.7	58.8	63.3	67.5	60.0	—	—	—	—	—	—	—
St. Paul, Minn.	50.9	58.2	43.3	49.1	57.0	38.0	21.5	32.9	16.1	29.0	50.0	17.6	44.7	57.7	33.0	37.1	45.3	29.0	—	—	—	—	—	—	—
Omaha, Neb.	—	44.3	—	—	44.3	—	—	12.0	—	—	11.9	—	41.9	44.7	39.4	42.7	48.8	37.8	—	—	—	—	—	—	—
Tulsa, Okla.	62.5	65.0	60.0	61.1	67.0	54.5	20.7	28.0	12.6	21.4	26.6	12.5	44.0	47.0	40.1	49.9	56.8	43.0	—	—	—	—	—	—	—
San Antonio, Tex.	45.0	49.0	42.0	29.3	44.7	12.1	9.0	10.0	8.5	11.6	12.1	11.2	42.0	49.3	39.0	41.2	43.0	35.0	10.7	17.7	9.5	15.3	30.7	10.4	—
Denver, Colo.	43.6	46.1	41.1	41.3	44.1	40.1	12.5	15.9	11.9	13.5	23.7	12.4	42.8	44.5	41.1	40.7	41.3	40.1	9.9	11.2	8.7	8.9	9.4	8.5	—
Salt Lake City, Utah	59.8	60.0	59.7	55.3	58.1	52.5	20.3	20.5	20.1	19.8	20.9	18.8	—	—	—	—	—	—	—	—	—	—	—	—	—
Casper, Wyo.	—	113.6	—	—	105.5	—	—	—	—	—	—	—	—	—	—	38.5	46.0	31.0	—	—	—	—	—	—	—
Portland, Ore.	39.6	40.0	39.2	38.7	39.5	38.0	14.7	15.3	14.2	14.4	15.5	13.3	40.8	46.0	35.7	41.3	46.2	36.4	—	—	—	—	—	—	—
Spokane, Wash.	—	54.0	—	50.6	53.4	47.7	—	10.7	—	10.7	11.8	9.5	48.5	49.1	48.0	—	48.7	—	—	—	—	—	—	—	—
Los Angeles, Calif.	60.6	64.3	56.3	59.6	63.9	54.0	17.5	19.4	16.7	15.9	19.3	14.5	50.7	54.5	47.0	—	53.9	—	—	—	—	—	—	—	—
Oakland, Calif.	48.0	51.0	44.4	48.7	53.6	41.8	17.8	25.8	14.7	16.3	25.6	15.6	38.2	45.3	31.2	38.8	46.3	31.3	—	18.4	—	—	16.4	—	—
San Francisco, Calif.	41.4	52.4	37.5	42.0	53.0	37.7	14.8	19.8	12.3	15.8	20.4	14.3	33.6	37.1	25.5	29.1	36.8	27.6	—	—	—	—	—	—	—
Santa Barbara, Calif.	52.0	59.6	45.0	52.3	59.6	44.5	—	—	—	—	—	—	45.0	48.2	39.2	47.4	51.8	42.3	—	—	—	—	—	—	—
Vancouver, B. C.	61.6	69.7	56.3	61.6	63.2	60.0	20.6	22.6	18.7	20.4	21.3	19.5	—	42.5	—	36.0	42.0	30.0	20.5	25.0	16.0	26.0	32.0	20.0	—
Victoria, B. C.	60.8	66.6	55.0	66.4	68.9	64.0	19.7	24.0	15.5	20.9	24.1	17.7	—	—	—	—	—	—	—	—	—	—	—	—	—
Ottawa, Ont.*	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—

*1941 figures not received at press time
*Installment

*Furriers
*Laundry

*Lumber

*Paper and Paint
*Fuel

*Cleaning and Dyeing

*A
*B

FORTY-EIGHT KEY CITIES COOPERATING WITH THE RESEARCH DIVISION OF THE U. S. DEPARTMENT OF COMMERCE

tie Scoreboard

June, 1940

JEWELRY STORES			MEN'S CLOTHING STORES						SHOE STORES						AUTO ACCESSORIES, TIRES, GAS AND OIL						MISCELLANEOUS											
1940			1941						1940						1941						1940						1941					
AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.	AV.	HI.	LO.			
68.8	67.6	69.9	65.3	—	—	—	54.1	—	—	59.1	—	—	60.0	—	—	54.6	—	—	42.5	—	66.9	77.6	59.0	62.7	69.0	49.0	—	—	—			
2.8	1.3	—	—	—	—	—	50.7	—	—	69.8	—	—	68.4	—	—	—	—	—	—	—	70.0	159.8	64.0	70.0	78.8	51.0	—	—	—			
—	—	—	—	—	—	—	40.0	—	—	52.5	—	—	49.1	—	—	—	—	—	—	—	—	59.0	—	50.8	51.1	50.7	—	—	—			
2.2	—	—	—	—	—	—	47.5	—	57.4	69.5	45.3	—	—	—	—	—	—	—	—	—	75.0	84.0	50.0	65.0	81.0	54.7	—	—	—			
—	—	—	—	—	—	—	42.8	44.3	40.8	45.4	52.0	42.3	—	63.7	—	—	64.3	—	—	70.3	—	—	77.2	—	63.1	85.1	47.6	63.5	66.7	45.0		
—	—	—	—	—	—	—	—	—	36.6	36.9	35.0	—	—	—	—	—	43.5	—	—	—	—	—	—	55.8	59.0	52.6	—	—	—			
—	—	—	63.1	78.1	48.1	—	—	—	—	—	—	—	58.6	66.6	50.6	—	—	—	—	—	—	42.0	54.0	40.2	—	—	—	—	—	—		
0.0	9.0	—	—	11.2	—	—	43.7	49.2	38.3	43.8	53.3	34.3	—	68.2	—	—	55.1	—	—	—	—	—	—	—	70.0	84.1	61.0	—	—	—		
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
9.1	—	—	—	—	—	—	38.9	46.3	35.1	40.2	52.9	32.6	44.5	48.7	41.0	45.5	54.1	39.6	—	—	—	—	—	—	—	—	—	—	—	—		
4.3	9.1	—	22.3	24.6	18.0	—	43.9	47.0	40.9	43.8	47.0	41.0	—	—	—	—	—	—	—	—	57.5	70.9	31.7	93.4	81.4	67.8	—	—	—	—		
2.5	12.2	—	—	—	—	—	33.7	34.6	32.9	33.8	35.7	31.9	39.0	39.0	39.0	41.0	41.0	41.0	—	—	—	77.6	77.6	77.6	47.0	47.0	47.0	48.7	48.7	48.7		
—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—		
4.2	—	—	20.0	—	—	—	—	—	—	50.2	52.3	48.2	—	—	—	—	49.4	—	—	—	—	81.9	—	53.2	62.0	44.4	46.6	52.0	41.2	—		
9.6	—	—	34.0	—	—	—	36.9	40.2	34.2	38.6	41.4	36.7	—	57.7	—	—	55.6	—	—	—	—	70.7	74.5	52.0	—	—	53.5	97.3	25.1	—		
4.0	8.1	—	25.0	—	—	—	47.6	—	40.3	42.3	38.3	—	49.0	—	—	—	48.0	—	—	—	—	—	—	—	—	69.2	—	69.8	—	—		
22.5	15.1	—	70.0	76.3	89.7	63.0	—	—	—	—	—	—	56.3	56.8	55.8	58.2	60.0	56.5	—	—	—	—	—	—	—	—	—	—	—	—		
—	—	—	—	49.5	54.9	44.1	44.6	49.8	39.5	44.2	47.6	40.9	62.0	71.2	52.8	63.2	72.6	53.8	—	—	—	—	—	—	73.7	94.0	64.0	73.5	92.0	61.0		
6.2	9.8	—	38.0	46.2	62.0	31.7	43.2	64.0	41.5	41.7	68.6	35.5	—	—	—	—	—	—	—	—	—	—	—	—	60.5	83.0	47.0	63.0	77.5	53.5		
9.7	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	56.0	68.0	40.0	51.2	58.4	41.2	
—	—	—	30.0	42.9	53.8	32.0	36.2	38.0	34.3	38.1	39.0	37.2	—	—	—	—	—	—	—	81.0	—	48.5	51.0	38.0	30.0	74.6	27.0	52.1	70.2	34.0		
24.1	14.1	—	—	—	—	—	49.7	52.9	47.8	50.6	55.0	47.9	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
10.7	9.2	—	29.0	31.0	51.9	25.8	40.6	51.3	40.0	46.0	49.5	41.5	—	45.2	—	—	48.8	—	—	—	—	—	—	—	—	—	28.7	—	19.9	—		
—	—	—	—	—	—	—	48.1	53.3	43.0	35.8	62.0	49.6	—	62.0	—	—	60.7	—	—	—	—	—	—	—	—	—	62.0	—	60.7	—	—	
19.3	15.1	—	—	—	—	—	—	48.2	—	—	45.3	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	53.0	57.0	77.8	51.6	—	
—	—	—	—	—	—	—	40.9	42.9	38.9	42.4	44.7	39.7	—	54.0	—	—	46.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
17.8	—	—	—	—	—	—	—	40.0	—	—	40.1	—	—	47.0	—	—	49.0	—	—	—	—	—	—	—	—	—	23.0	—	28.0	—	—	
—	—	—	60.0	—	—	—	48.3	59.0	42.4	42.4	42.8	42.1	75.3	79.0	71.6	71.5	78.0	64.9	—	37.7	—	—	29.0	—	39.0	62.0	25.9	36.8	52.7	25.7	—	
—	—	—	—	—	—	—	41.8	52.5	34.0	38.7	46.0	34.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	46.0	—	—	52.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
30.7	10.4	—	176.1	—	—	—	47.8	57.2	38.5	46.1	57.7	34.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
9.4	8.3	—	—	—	—	—	—	45.0	—	—	36.3	—	—	51.0	—	—	54.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	40.9	42.9	38.9	42.4	44.7	39.7	—	54.0	—	—	46.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	40.0	—	—	40.1	—	—	47.0	—	—	49.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	48.3	59.0	42.4	42.4	42.8	42.1	75.3	79.0	71.6	71.5	78.0	64.9	—	37.7	—	—	29.0	—	39.0	62.0	25.9	36.8	52.7	25.7	—	
—	—	—	—	—	—	—	41.8	52.5	34.0	38.7	46.0	34.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	46.0	—	—	52.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	47.8	57.2	38.5	46.1	57.7	34.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	45.0	—	—	36.3	—	—	51.0	—	—	54.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	40.9	42.9	38.9	42.4	44.7	39.7	—	54.0	—	—	46.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	40.0	—	—	40.1	—	—	47.0	—	—	49.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	48.3	59.0	42.4	42.4	42.8	42.1	75.3	79.0	71.6	71.5	78.0	64.9	—	37.7	—	—	29.0	—	39.0	62.0	25.9	36.8	52.7	25.7	—	
—	—	—	—	—	—	—	41.8	52.5	34.0	38.7	46.0	34.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	46.0	—	—	52.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	47.8	57.2	38.5	46.1	57.7	34.5	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	—	45.0	—	—	36.3	—	—	51.0	—	—	54.0	—	—	—	—	—	—	—	—	—	—	—	—	—	—	
—	—	—	—	—	—	—	40.9	42.9	38.9	42.																						

Plans to Overcome Post-War Problems

R. VERNE MITCHELL*

Vice-President, McDonald Coolidge and Co.,
Cleveland, O., Member Board of Governors,
Investment Bankers Association of America.

It would be impossible for me to give you an official blueprint which would indicate a definite future so far as the post-war period is concerned, under such unknowable conditions as we face today. There are some who seem to think that they can definitely picture what the situation will be like at the end of the war, and that they can now prescribe quite definitely plans for taking care of the problems at that date. I think they are inclined to assume a superior mind over the rest of us, and to be too confident of their ability to prophesy the future. I do not believe it can be done.

But, I do not believe that it would be unprofitable for us to think about the things that we are doing now, in relation to their future and the effect upon the post-war period. The manner in which we solve the problems that are facing us today is going to determine the problems which we are going to have in the post-war period. Those problems either are going to be increased or they are going to be tremendously diminished by the way in which we solve the problems that are in front of us today.

Watch Technological Changes

I cannot offer any advice as to what should be done with reference to your plans, or what you should do with reference to your sales program or technological subjects in connection with the post-war period. It is perfectly true that the management of each and every individual business must be studying and keeping a close watch in these times of technological changes, because they will be constant in order to meet conditions. We have to watch substitutions; we have to watch synthetic materials; the expansion of plant capacity, and the shifts of sources of supply. All management will have to keep these things constantly in mind.

It is indeed timely that we should consider this subject, because there are going to be brought forward for our consideration, new Government policies which will be affecting our political life, and which will be affecting our economic life. We should make up our minds that we are not going to accept those political policies or those Governmental policies if they are going to be inimical to our free institutions when the post-war period comes.

*An address delivered before the 29th Annual Conference and Credit Sales Forum, New York, N. Y., June 18, 1941.

Many of them will have to be enacted, but we should have it definitely understood that they are enacted for a temporary emergency period only, and we have no idea of accepting them as permanent social legislation.

A period like this is the greatest opportunity in the world for those who have new ideas, insidious ideas, to propagate them and force them upon the body politic. Never in the history of the world was the opportunity so great for those who are capable of new thinking, who are filled with new ideas, who would overturn the social order which we have enjoyed all these years, to propagate them, to fertilize them, and to make them grow.

Need For New Thinking

Ideas are like that beautiful water plant, the water hyacinth, which is probably the most beautiful pest that we enjoy in this world. It is a plant that is very beautiful and has a lovely flower about the shade of a lilac, but it kills fish, it makes rivers unnavigable.

It was brought to this country originally in 1884 and presented at an exhibition in the city of New Orleans, and a woman from San Mateo, Florida, purchased a small bunch of it and took it home and planted it in her water garden. She resided on the banks of the St. John's River and, as the plant grew for her, she cut it off and threw the excess into the river.

Now, this plant doubles in every twenty days; one foot of it would increase to one thousand feet in six months; in ten years, it will cover fifty million square yards. It has been growing in this country since 1884, killing off fish and making many of the rivers of Florida, that would otherwise be navigable, unnavigable, or navigable only with the greatest difficulty.

They have been trying to get rid of this plant. Machines have been invented for cutting it; there is a machine that would cut six hundred tons per day, but there are eighty tons of the plant in one square mile and it costs \$30,000 per square mile to cut it and they could not afford to continue cutting it.

They have developed poisonous sprays for killing it, but they also kill the fish and kill the cattle who drink of the water of the streams, so there is little hope from that source of getting rid of this terrible pest.

Our Democracy Must Be Guarded

We have ideas being propagated today that are just like the water hyacinth. We saw the idea of democracy do away with practically all the monarchies and give us freedom of speech and free enterprise. And some ideas,

again propagated by those who are clever, who take advantage of so-called emergency conditions, can be propagated and take away from us that which we have enjoyed for 175 years or more in this country.

In planning to meet the post-war conditions, we can do it only partially, because of the uncertainty of what those conditions will be at times. But, there is one thing that is absolutely certain, we must keep implanted in our minds a clear concept of the social order we wish to have for ourselves when this war is over.

All peoples are agreed that they want a democracy. But, we find there is a different conception on the part of some as to what constitutes a democracy. Some will maintain that a cooperative commonwealth with a planned economy, so long as the Government is elected by the people, is a democracy. Others feel that only in a democracy can we have free economy where we have private initiative, private capital, and private enterprise, under systems of fair play. Now, between those two concepts of democracy there is no common ground. Just the use of the word "democracy" is not enough.

We Must Know What We Want

So, it is absolutely vital, if we are going to do any planning about the post-war period, that in the minds of all should be a clear concept of the kind of a social order that we wish to have when the war is over.

The only alternative to private enterprise is public enterprise. There is not any other alternative. There are those who believe we can have private enterprise in a semi-socialized state. I do not believe it. You cannot have part state-controlled industry and part private industry. The state must necessarily and inevitably—in order to maintain itself with reference to the ones which it is at present in control of—move on into other fields. It cannot meet the competition of private enterprise.

We are reading a great deal in the papers these days with reference to the lack of sufficient electric power to take care of the defense industries. Why is it unavailable, today? In my judgment, it is because the prosecution of the public utilities in the last ten years, by the Government, has caused such hesitation on the part of the public utilities with reference to spending money for betterment, because they never knew what day the plants would not belong to them, that they have not made the improvements they otherwise would have made and which they will admit were not only constructive and valuable but would give them greater efficiency.

Results of Idle Capital

If, during this period of depression, the public utilities had been spending the billions of dollars which they could justifiably have spent; had been issuing their securities on the market, and been spending that money; first, in having the goods which they needed manufactured, then in the erection and expansion of their plants; think of the number of men that it would have put to work, who were otherwise unemployed and being supported on the tax rolls of the country. And now we have a national emergency and the Government is going to be forced to spend its own money in all sorts of plans and schemes in order to provide the necessary additional electric power which we need to take care of our defense

program, because private initiative and enterprise has been interfered with.

The investment banking field, is a very glaring example. After the collapse of 1929 and 1930 in the securities markets and in all markets for all commodities, it was natural for some people to try and hold the investment banking fraternity responsible for that collapse. Every man, woman and child in the United States was responsible for that collapse. You will remember that, in the previous ten years, everybody was interested in making a speculative profit, whether that profit was to come to them as a result of a contribution in anything that meant for the economic advancement or the increase of wealth in the country or not. In real estate, in securities, in commodities, every one was wild with a spirit of speculation. And what more natural thing in the world than that values finally collapsed, because they had reached a point away beyond their real worth; that securities should be the thing that should go the lowest, because securities were the most liquid. When there is a tremendous demand for cash in the country, people are going to turn to those things which they can the most quickly turn into cash, and that is securities. Where there had been some market for goods other than consumable goods, there was no market.

Responsibilities for Last Depression

As a result, we saw the securities of some of the biggest corporations we have in this country being sold for less than those companies had in cash per share in the bank. In other words, they were sold for less per share than the company had in cash per share in the banks, let alone its plants, its inventories, its receivables, and, many times, very valuable minerals in the ground.

Certainly, no investment banker could have been held responsible for conceiving the values would go to any such place in this country and the return to prosperity of those same corporations is evidence of the fact that this judgment was not misplaced. Yet, somebody had to be made the scapegoat after a collapse like that.

It was a "politicians' paradise" and, consequently, we had the Exchange Act of 1933 and the Securities Act of 1934 passed quickly without due consideration, filled with severe and stringent regulations. The investment bankers had been asking Congress for years to pass legislation, which they always refused to do because of the pressure of other interests. And then suddenly, because they were being made the scapegoat under the situation that existed after the collapse, we got a law that is completely and absolutely unworkable, and dried up the securities market of this country for over two years.

Flow of New Money

No new money whatsoever was flowing into industry. The laws were so filled with severe liabilities on directors of issuing corporations, upon public accountants, upon investment bankers who would float issues, that no one dared to take the responsibility. The result was no money into industry, right when industry needed it badly, new money particularly.

Finally, the law was amended and the investment bankers of the country have been trying to work under it, and somewhat successfully, because the need was so great. But, it still needs extensive amendment and cor-

rection, if we are going to have the natural flow of new money into industry in this country, and that is what has always made this country go.

In a recent investigation before the Monopoly Committee in Washington, known as the T.N.A.C. Committee, the witnesses that were called were only those who would—it was contemplated—contribute information which would help to give a record enabling them to control and fetter industry still further. Western bankers asked repeatedly to be called before the committee—a committee that supposedly was making an independent investigation of a condition in the country and the desirability of legislation—yet, they were refused the privilege of the witness stand, even though they were citizens of the United States.

Government in Business

One high government official, however, testified that the investment banking business was twenty-five years behind the times; that it was no longer capable of taking the savings of the private individual and transferring them into industry. Consequently, he recommended that equity or capital banks be established by the Government, the Government providing the capital for loaning money to industry and new enterprises. We well know the degree and proportion of success of new enterprises. How soon and what better way could you find for putting the Government definitely into business?

It has always been a vital function of the investment banking business to transfer the savings of the people into industry, and it is the only way that it can be done soundly, in a true democracy. Through this medium, over the years, the great railroad systems of our country were built, our boat lines were established, our great inventions—like the Mazda lamp and phonograph and radio and air line systems—were originally financed and then supplied with the additional capital which they needed. Today, a very large proportion of the people of the United States are employed in working on products that we knew absolutely nothing about twenty years ago. Investment bankers supplied that money by transferring it from the hands of the individual citizen into those corporations.

Investment Bankers Finance New Industry

Prior to 1931, the investment bankers were pouring three and a half billion dollars of new money into industry in this country, every year. The total amount of securities issued would be about five billion, but three and a half billion of it was new money. These large issues being put out, they are all refunding issues at lower rates of interest; it is not new money going into industry.

Compared with that three and a half billion prior to 1931, during the five-year period from 1933 to 1938 the annual amount going into industry as new money was only six hundred and ninety-nine million. It is estimated that during the last depression we lost, in depreciation and in use, somewhere around thirty billion dollars of our capital in this country. We all know that there is forty billion more of it lying in the banks, which the owners of it are indisposed to put to work at the present time. That makes seventy billion dollars less capi-

tal operating in this country today than we had prior to 1931. With seventy billion dollars less capital in operation, is it any surprise that there are nine million men out of work, or were prior to the defense program?

The investment bankers of the country are not recommending a lessening of the protection that will be given the investor, the purchaser of the securities; the sound, conservative, and the honest investment bankers desire it. Then, too, they are in a type of business that enables those who do not wish to deal honestly to play around the fringes of it easily, because it is one by which the imagination of the people can be caught easily and something they know very little about. They want regulation, but they do not want regulation which is going to stifle completely the industry and stop this flow of capital into the industries.

Government Aid to Business

A vital program, a matter of planning wherein you individually can help, and which will do much to mitigate the post-war problems of this country, is to get our laws so amended that when that time comes (following the World War, we had a tremendous need for new money to flow into industry), if the investment bankers are not in position to provide new money, the Government will, because it is grabbing at the opportunity of inducing capital from taxpayers.

In the present national defense program millions of dollars are being loaned and provided for building new plants at the present time. Prior to the national defense industry, we have had twenty-two Government lending agencies in this country, pouring out its capital into all of the various tendrils of the national economy and every particular phase of it. When they get through with the present program which is involved in national defense, just imagine the extent and the tremendous sums of money which the Government will have invested in business in this country! It just staggers your imagination to think of it, and scares you as well.

Karl Marx, the great socialist, said: "Give government an exclusive monopoly of credit and then business will logically be required to disappear. And with banks in our hands, we can take over industries at our leisure."

Free Enterprise Must Not Be Lost

Let us plan against that dangerous trend. Let us, write during this war period, to Congressmen and see that those who represent us in Government understand that when that post-war period comes, we expect the Government to go out of business. If we do not, our free enterprise system is going to be lost.

How else can we plan? We can make every effort to maintain during this period a low price structure for commodities, and thus help to avoid inflation at all costs. We have got to disillusion the people of the idea that what we have now is prosperity. Warn our employees against long-time commitments based upon it.

The prosperity we have now is like taking an anesthetic and waking up with a bad nausea. The situation in which we find ourselves today, is like the difference between amnesia and magnesia: When you have amnesia, you are wandering about, not knowing where you

are going. But, when you take magnesia, you know where you are going.

If we are going to avoid inflation, we may have to accept a lower standard of living. That may be one of the sacrifices which we will have to make at the present time, in order to avoid a still worse situation in the post-war period. Let us bear that in mind.

Inflation Should Be Avoided

Profits cannot be paid out both in higher wages and in higher taxes. It is going to require a very high degree of statesmanship to avoid inflation in this present period, a very high degree of economic statesmanship. We will not get it if we do not demand it. A great deal of damage, so far as avoiding inflation, has already been done in the higher wages and in the released consumer demand for merchandise of which there is a reduced supply. Do not forget that we must keep our markets, so far as our goods are concerned, somewhat in tune with the markets of Europe and other countries, because, if by reason of inflation, our market prices are away above those, when the European armies go back to work and begin to produce goods and offer those goods in this country, they will take our exchange, our dollar, and turn around and buy the goods which they need in other countries that have not been experiencing the same inflation which we are in this country.

It seems to me that the very best planning we can do, and it sums it all up in words, because any other suggestion will be simply guessing at a condition and guessing at an answer, is to educate America.

Mr. Philip D. Reid, the Chairman of the Board of the General Electric Company, made an address recently in which he said: "If free enterprise is to continue in this country, the biggest job is to sell the American way of life to Americans." It seems impossible to conceive that in this country, after what we have enjoyed, we should be having to sell the American way of life to Americans. But, that is just the thing we have to do.

Political Party Affiliations Not Important

Now, the issues are not those that are ordinarily associated with the difference between political parties. It does not make any difference what political party we belong to, these issues are just as vitally important to each and everyone of us, irrespective of party affiliations.

Without casting any doubt on the loyalty of politicians or industrialists or of labor leaders, I believe the problems which face us now transcend any party, association, or group. It is a question of what we are going to do for America.

In the last ten years, we have made great social progress, at least many of us would appraise it that way, but we have to be careful that we do not lose it, if we cannot support it. The difficulty with social legislation is that it costs a lot of money, it costs billions, and the only way we can possibly support it is with a sound and successful economic system. We can pass all the legislation we want, but if we cannot support it, it will have to be abandoned.

Social Legislation During Last Ten Years

Compare what we have done in social legislation in the last ten years with what we have done so far as the

economic situation is concerned. Our net income last year was back to that of 1919; our debt was up one billion dollars; our unemployment unsolved. If you take twenty-two of the different measurements of economic success which are used in measuring our progress economically, there are only six of the twenty-two that are up, that have had an increase.

What are those six? First, the population; second, strikes; third, strikers; fourth, federal taxes; fifth, federal expenditures, and, sixth, the national debt. Those are the only things that have increased; everything else has gone down from nine to eighty-four per cent. How are you going to support your social program if your economic program is constantly going backward? The Government cannot create wealth; the Government can only redistribute wealth. Unless new wealth is created, these social gains are going to be lost, and the only way you can produce wealth is by the production of goods.

Higher Wages Not Increased Purchasing Power

We hear speeches by our leaders about the higher wages being increased purchasing power. They are nothing of the sort, it is fallacious. It is the increase of goods produced that is purchasing power. It is wheat that buys automobiles and automobiles that buy wheat, and not simply the ticket which we use known as a dollar bill in exchanging it, because the one of us who wants wheat does not want automobiles.

Oliver Wendell Holmes said, years ago: "The longing for certainty and repose is in every human mind. But, certainty is generally an illusion and repose is not the destiny of man." It was true then and it is true today. I think we all know that certainty is an illusion and that repose is nothing but an escape from hard work, and we are being told that we can work less and have more.

So, what is wrong with our economic system? It goes right to the roots of constitutional democracy. We have got to make up our minds whether we, as a people, are capable of judging trends and judging what proposed legislation means in relation to our economy. And when you stop and think that the average American has only a seventh grade education, and they are being asked to pass on complicated questions like banking and agriculture and Government; questions of that kind, that bring right out into the open the fact that we need a restatement of fundamental principles.

Resell America to Americans

We have got to have a primer of self-government, a primer of the fundamental principles which made this country great, for the average man to become thoroughly acquainted with, and have inculcated into his system, so he will be able to realize when what is being proposed is inimical to that type of Government which we have enjoyed.

Mr. Reid laid down seven principles which he thought must go into that primer, which we must constantly keep before our people. They were:

- (1) Understand, honor, and preserve the Constitution of the United States.
- (2) Keep forever separate the legislative and the judicial and the executive branches of our government.

- (3) Remember that Government belongs to the people and is inherently inefficient, and keep Government activities limited to those which the Government can perform.
- (4) Vigilantly protect free speech, free worship, and freedom of action.
- (5) Cherish the free enterprise system.
- (6) Respect thrift and economy.
- (7) Above all, scrupulously keep your word and respect the rights of others.

As Americans, we have to become articulate, through the radio, through the press, through our educators, through our businessmen, through our churchmen, and then yourself, personally. We have to bring home to our people those principles which have preserved and made this country great, so that they may know and realize what proposed new trends in legislation mean.

Primer of Constitutional Government

It does not do any good to talk about it with your fellows and your close personal friends at your clubs or at your dinner parties, because most of them will agree with you, but make the opportunity to talk to somebody else. Seek the opportunity to talk before Kiwanis Clubs, Rotary Clubs, labor organizations, Women's Clubs and women's organizations, and spread the gospel of this primer of constitutional Government in the United States.

James Brice said: "One of the greatest weaknesses of a democracy is a sense of insufficiency of personal effort." That is a very fine statement. Each of us thinks it is not important that we do anything about a thing, that our effort is so little that it cannot accomplish anything in getting a result. Nevertheless, time and again, a collection of individual effort has changed the course of the whole world. We have been spending our time advertising the gadgets which we produce under a system of Government, but we have stopped selling the Constitution.

We have got to say something about how we want this Government of ours run. That is the way to plan for the post-war period. Be articulate! *We need more voices crying in the wilderness.*

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"Credit Program"

(Beginning on page 14)

and by next winter this should be reduced to ten months. Further, it seems to me that mechanical appliances should be limited to no more than eighteen months.

There is one other matter that seems to me important. That is the question of service charges. Most of us do not know what our costs are, and still are thinking in terms of a percentage, which is confusing both to the public and to the retailer. I would strongly recommend that we adopt dollar service charges, prepared in advance on the basis of the length of time the account has to run, and the amount of money involved, calculated to cover the cost of bookkeeping, bad debt losses, credit investigation, and interest. From the customer's viewpoint such a schedule is much more understandable.

Standardization of Service Charges

In regard to open accounts, I believe we ought to have more agreements among merchants, similar to the ones that are at present operating in some of the middle western cities, that interest be charged on open accounts in case payment is not made by a given date. Furthermore, in regard to collection procedures, on open accounts we should shorten the time before the account goes to the collection department. I am convinced that the motto is just as good today as it was five years ago, that it is wise to be fairly liberal on the extension of accounts, provided that you are very punctilious in the matter of collecting on those accounts.

There is another phase of the matter of length of time that is important from the standpoint of most retailers, and that is the question of financial turnover. Most merchants are tying up more of their capital in inventory. It becomes more important, therefore, to turn receivables more rapidly in order to operate the business on the soundest financial basis. As retail credit men, we are merchants. We must bear all these factors in mind, and we must never forget that the importance of our existence depends upon our ability to serve the public fairly, to give value received for those goods and services which we sell, and constantly to be on so sound a basis that we can maintain a continuity of service and a reasonableness of profits, thereby protecting our stockholders, and fulfilling our function to the public.

These are the five major points I have attempted to emphasize:

- (1) The record of past payments is still the most important factor in extending credit. It has been called by a number of other names, some call it "character," others "reputation," but in the credit files it is the record of payment.
- (2) Service charges should be expressed in dollars—not percentages.
- (3) Shorten the length of the contract.
- (4) Charge interest for past due indebtedness on open accounts.
- (5) Strengthen standards of eligibility—take fewer borderline risks.



Letters To The Editor

"The National Convention this year was the best I ever attended, and the New York boys certainly did a good job. They are to be congratulated."—J. M. Holloway, Sr., Manager, The Credit Reporting Co., Montgomery, Ala.

★ ★ ★

"I heard many compliments on the Convention and a good many members are already discussing the possibility of attending the meeting in New Orleans next year. Speaking for myself, I received a great deal of benefit, and congratulate you all for an excellent Convention."—Jno. K. Althaus, Secretary-Treasurer, Associated Retail Credit Men of Washington, D. C.

★ ★ ★

"I want to compliment you on the fine New York Convention just concluded."—W. H. Jernigan, Manager, Merchants Credit Association, Mobile, Ala.

★ ★ ★

"I want to express my appreciation for the fine convention which you and your associates accomplished in New York. This was one of the best conventions that we have had from the standpoint of progress, and the methodical manner in which it was conducted."—Jos. H. Riggs, Assistant Vice-President, Florida National Bank, Jacksonville, Fla.

★ ★ ★

"I consider the recent convention in New York the finest it has been my pleasure to attend. Especially outstanding was the able and inspiring address of L. L. Meyer."—Jos. A. White, Vice-President, Harris Stores Co., Pittsburgh, Pa.

★ ★ ★

"I wish to express to you our sincere appreciation for making possible the New York convention. Birmingham had the largest delegation ever to attend a district or national convention, and every one of them enjoyed himself every moment. In addition, you succeeded in having the finest array of speakers of any convention it has been my pleasure to attend."—W. V. Trammell, Manager, Merchants Credit Association, Birmingham, Ala.

★ ★ ★

"The New York convention was certainly outstanding. I attended all the meetings and still had time to see and hear a lot."—Carolyn M. Roberts, Credit Manager, The John Bressmer Co., Springfield, Ill.

★ ★ ★

"I believe the convention addresses published in The CREDIT WORLD would be excellent material to distribute to prospects for membership in the National Association. There is no better material available for use in educating our merchants than information of this nature."—G. Grosz, Secretary Manager, Fargo-Moorhead Retail Credit Association, Fargo, N. D.

★ ★ ★

"The convention in New York was a great success and I was glad to be there and participate in the activities. The CREDIT WORLD for July has lots of valuable information in it. It is certainly a pleasure to have this grand publication."—Adys R. Salley, First Federal Savings and Loan Association, Miami, Florida.

★ ★ ★

"You must have had a wonderful Convention in New York, from the reports that I have heard. More power to you and to the members who made it so successful!"—Waldo J. Marra, Correspondence Director, Bank of America, Los Angeles, Calif.

★ ★ ★

"I want to take this opportunity to tell you that I enjoyed the New York Convention very much. In fact, I believe it was the best in years."—Floyd J. Habein, Secretary-Manager, The Credit Bureau, Muncie, Ind.

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CREDIT FLASHES

Little Rock Elects Officers

At the annual meeting of the Retail Credit Association of Greater Little Rock, Arkansas, the following officers were elected: President, Max L. Lichtenstadter, Kemper's; Vice-President, S. Richard Sims, Healey and Roth; Executive Secretary, Wm. R. Arendt, Retail Credit Bureau; Corresponding Secretary, Mrs. Norma Gaston, Drs. Rhinehart & Rhinehart; and Treasurer, Mrs. Edris Mallory, Enterprise Lumber Co.

New York Association Moves

The Credit Bureau of Greater New York, Inc., has moved its offices to the Equitable Life Assurance Society Building at 393 Seventh Avenue. The building is located directly across from the Pennsylvania Station and between the Hotel Pennsylvania and the Hotel Governor Clinton.

Promotion for Ralph A. Smith

Ralph A. Smith, Credit Manager, Chase & Co., Sanford, Florida, was recently made Assistant Secretary of that firm. He will continue his duties as Credit Manager. He is acting Director of the Florida State Bank of Sanford and for nearly two years has been Chairman of the Finance Committee.

Position Wanted

CREDIT AND COLLECTION MANAGER: Man 35 years of age, university graduate, with fourteen years' experience with credit, collection and office management work. Can give the finest of references from present and previous employment. Address Box 81, CREDIT WORLD.

McCormick Director of Firm

Thos. McCormick, Credit Manager and Assistant Treasurer, Falk's Department Store, Boise, Idaho, has been recently elected to the Board of Directors of that firm.

C. W. Hurley Retires

After 37 years in bureau work, C. W. Hurley, President and Manager of the Retail Credit Exchange, Inc., Houston, Texas, and charter member of the National Retail Credit Association, is retiring from active business. His interest in the bureau has been sold to his son, J. Collier Hurley, who also succeeds him as Secretary of the Houston Retail Credit Association, Inc., an office which he held since formation of the Association in 1917. J. Collier Hurley has been associated with the Exchange as Vice-President for a number of years.

Roger F. Cire

Roger F. Cire, Credit Manager, The Cargill Co., Houston, Texas, died June 29. He had been active in the Houston Retail Credit Association for many years, serving the organization in a multitude of activities, including that of President in 1937. Our sincerest sympathy goes to his surviving wife and relatives.

George C. Schieffelin

George C. Schieffelin, Collection Manager, James McCreery & Co., New York, died June 30. He had established an enviable record of forty-four years' continuous loyal service to the affiliated firms of Lord & Taylor and James McCreery & Co. We extend our most sincere sympathy to the members of his family.



• Among the honored guests at a luncheon given by the Associated Retail Credit Men of New York City for the Officers and Directors of the three National Associations at the New York Convention was Emil Schram, at that time Chairman of the Reconstruction Finance Corporation, now President, New York Stock Exchange. In the picture above, left to right are, Erwin Kant, President, N.R.C.A., A. J. Kramer, General Convention Chairman, Mr. Schram, and L. S. Crowder, General Manager-Treasurer, N.R.C.A.

CREDIT FLASHES

Credit Women Elect National Officers

At the fifth annual convention of the Credit Women's Breakfast Clubs of North America held in conjunction with the 29th annual convention of the National Retail Credit Association in New York, June 16-19, 1941, the following officers were elected for the coming year: President, Lily Person, Plymouth Furs, Inc., Minneapolis, Minn.; First Vice-President, Mrs. Pauline B. Shepard, Retail Credit Men's Association, Jacksonville, Fla.; Second Vice-President, Martha Bean Gleason, Brooks, Inc., Washington, D. C.; Recording Secretary, Kathryn Lofton, Genuine Parts Co., Atlanta, Ga.; Financial Secretary, Lucille Reynolds, Coffey Clinic, Fort Worth, Texas; and Treasurer, Eulalia Thatcher, Deseret Book Co., Salt Lake City, Utah. The Corresponding Secretary is appointed by the president. The convention was attended by 322 members and guests.



Lily Person

Kant Celebrates 25 Years With Schuster's

Erwin Kant, General Credit Manager, Ed. Schuster & Co., Milwaukee, Wis., and the genial immediate past president of the National Retail Credit Association, celebrated a quarter of a century of service with the store on July 31. The National Office congratulates Mr. Kant on this splendid record of continuous service. Schuster's are indeed fortunate in having Mr. Kant as a member of their executive staff.

Correction

The following installment terms should have been included in resolution Number Eleven on page ten of the July CREDIT WORLD instead of the ones published:

Electrical Refrigerators	Sixteen months
Furniture	Fifteen months
Stoves	Twelve months
Radios and similar merchandise	Ten months
Household Goods and all other electrical appliances	Eight months
Soft Goods	Four months

Sowers New Manager at Philadelphia Bureau

Walter R. Sowers, for the past eleven years assistant general manager of the Philadelphia Credit Bureau, operated by the Chamber of Commerce, has been elected general manager. He replaces Louis S. Grigsby, who is now a Lt. Commander in the United States Navy.

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"Bulldoze Debtors"

(Beginning on page 17)

human frailties, and the majority of them are responsive to appeals to reason. We realize we cannot hope to achieve success in our business unless we can maintain the good will of our patrons, and we have not the slightest hesitation in saying, from our long experience of utilities operating in both the United States and Canada, that the collection policy of these companies will compare favourably regarding reasonableness and fairness with that of any other business concern. But like any other firm or company in business, we expect payment of our bills when due, unless there are extenuating reasons why such payment cannot be made.

Human nature, however, is full of peculiar inconsistencies and contradictions, and some who would not descend to unfair tactics in their dealings with other people have no qualms in regarding the utility as fair prey to victimize and defraud. As the old Quaker said to his wife: "Jane dear, everybody is queer but thee and me, and even thee is a bit queer."

Mrs. White very truly states that the world is starving for expressions of kindness; why could she not extend a kindly word and forgiving gesture to the utility, which has been starving all these years for a word of human kindness and appreciation? Verily, the pathway of the utility company resembles very much the pathway to heaven; it is paved with much tribulation.

Proceedings

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Public Utility Group Conference

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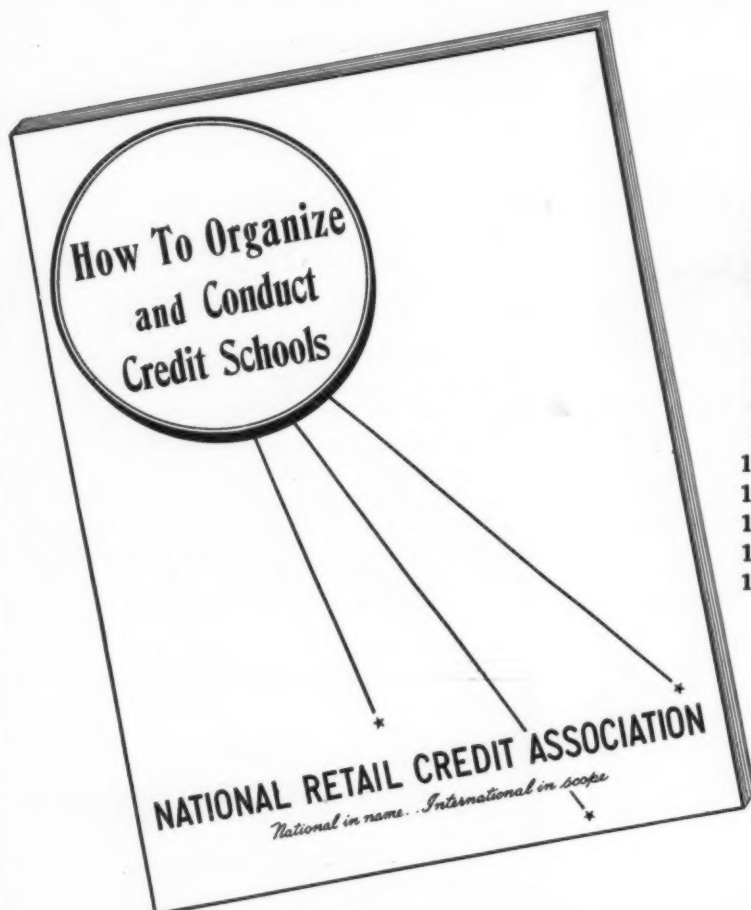
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Current Developments in Consumer Credit

MALCOLM L. MERRIAM*

Developments in the field of consumer credit today are given unusual prominence because of the implication that major economic adjustments required by the defense program may alter some of the established relationships. Although I have no adequate basis for prediction as to what will take place in the near future, it is possible that I may contribute something to current thought on the subject of consumer credit by outlining recent trends and at least indicating the range of possibility as to what may occur under the exceptional stress of economic changes required by a system of production geared for armaments.

To touch on some of the highlights of the past, it will be recalled that the major concern about retail installment credit before the great depression was that widespread bankruptcy of consumer credit agencies might occur in the event of a sharp decline of consumer income. When this decline of consumer income did take place following 1929, it was found, however, that consumers maintained a surprisingly good repayment record, and the finance companies holding consumer debts were not in the forefront of the area of financial distress. No doubt this was partly due to the more prevalent use of recourse contracts at that time, under which the retail dealer served as a buffer in case of default by the consumer.

Liberalized Terms

The business recovery starting in 1933 was accompanied by a general liberalization of installment terms to extremes which were without precedent. The soundness of the terms situation was questioned from many quarters as the business curve climbed through 1936 and approached the break at the close of 1937, but the record of the integrity of consumers with respect to debt repayment which had been demonstrated in the previous depression seems to have largely forestalled any major restriction of terms. Insofar as that point alone is concerned, the recession of 1938 provided more evidence that consumers will make every effort to pay their debts in periods of general business distress.

In the meantime, however, it was becoming clear to those who followed the course of installment selling that there were other underlying problems of greater economic significance than the ultimate liquidity of retail installment debts. Thus, the consumers' durable goods indus-

tries, which produce automobiles and the many types of household equipment which are sold largely on time payment, had become a segment of the economy of such importance that the course of these industries could directly influence the cyclical upswing and downswing of business in general. In other words, it was not wholly a question of installment selling increasing and declining in sympathy with the cyclical expansion and contraction of consumer income which forms the credit base. The movement of income itself was influenced by actual demand for durable goods, as distinguished from capacity to buy these goods on credit.

Problem of Credit Control

It was indicated that excessive current use of installment credit to buy automobiles and other durable products was capable of drying up some part of the markets for these goods in the immediate future. This situation contributed to instability in the rate of production of the durable goods industries, which in turn affected the general business situation in which these industries had become an important element. Furthermore, while the general upswing of business was additionally stimulated by the injection of credit extended to consumers for their durable goods purchases, the downswing was also exaggerated by wholesale diversion of consumer income into debt repayments.

Although it was evident that these fluctuations could be moderated by some form of credit control exercised over consumer demand to smooth out the markets over the business cycle, it did not seem likely that in the existing competitive system such controls could be established and operated effectively under private auspices. When one group found agreement on a reasonable credit policy of requiring more cash in down payments and larger monthly payments as consumer income rose, it was only human nature for others to take advantage of the situation by maintaining liberal credit terms—which were safe from the liquidity standpoint—and by this means attract the business which others had held off as a backlog.

The time may again come when this problem will have to be faced, and a final satisfactory solution found in the broad interest of the economy as a whole. At least we have gone beyond the phase where acceptance of the fact that consumers do not engage in wholesale default in times of business distress can be regarded as ample and complete evidence of the soundness of unrestrained installment selling under all circumstances and conditions.

*An address delivered before the 29th Annual Conference and Credit Sales Forum, New York, N. Y., June 19, 1941. Mr. Merriam is in charge of credit research, Bureau of Foreign and Domestic Commerce, Washington, D. C.

A New Credit Situation Today

We are confronted today with an entirely new situation which involves consideration of the fact that the installment credit device is a primary feature of the markets for consumers' durable goods. Our estimates show that installment sales volume which declined to 3.3 billion dollars in 1938 gained about 26 per cent to 4.2 billion dollars in 1939 and showed a further 20 per cent advance to an estimated 5 billion dollars in 1940. With the national defense program going into full action, however, there has been a much sharper rise in time-payment sales during recent months. The dollar volume of financing of new automobiles, for example, gained more than 40 per cent in the first 4 months of 1941 compared to the same period last year. Similar gains over last year appear to be occurring in the other durable goods lines of household appliances and furniture.

Consumers are buying heavily today partly because of larger income created through defense expenditures, but other important factors are, their anticipation of price increases, as well as actual curtailment of supplies of durable goods because of the priority which must be given to defense needs. At least until recently, the upswing of installment sales has been accompanied by some liberalization of terms. I believe, however, that competitive conditions in the period prior to 1938 served to establish a general ceiling on terms which could be regarded as approaching the most liberal extremes consistent with profitable operation.

Installment Sales in 1940

Installment sales in 1940 were estimated at 5 billion dollars. If the present rate of installment sales for the first months of this year were to continue throughout 1941, it is possible that we might have total installment sales for the year reaching a figure as high as 7 billion dollars. For comparative purposes, although it has no particular relevancy, installment sales of 7 billion dollars would place volume higher than the last peak of 6.5 billion dollars in 1929, and almost 2.5 billion dollars above the 1937 figure. It seems probable that production curtailment in the durable goods industries may prevent this development, but even if installment sales should expand somewhat in 1941, because of certain peculiarities in the present situation this would not necessarily be cause for great alarm.

Whether curtailment of production of automobiles and other consumers' durable goods takes severe hold this year or later, we seem to be facing a period in which reduction of supplies of these goods available to consumers is inevitable, and there may be a considerable time during which present stocks of goods in the hands of consumers cannot be replaced regularly like they have been in the past. For as long a time as consumers can build up their stocks of durable goods without interfering with the rapidly developing defense program, consumer purchases of these goods in quantity does not appear to be unsound.

Thus, where liberal use of consumer credit in the past served to create business instability by drawing consumer demand into current markets at the expense of future markets, the same phenomenon today may be definitely advantageous. It will serve to clear consumers out of future markets for durable goods which must be dominated by the needs of defense production for an indefinite period. After the defense effort, the new

automobiles and other durable goods bought today should make for a large and uniform backlog of replacement demand to stimulate the reestablishment of the durable goods industries on a normal basis.

Price Inflation in Durable Goods Market

With the probability that supplies of automobiles and other durable goods will be reduced at the same time that consumer income is rising sharply because of defense spending, there is, of course, a possibility of price inflation in these durable goods markets. I believe that this price question should be faced squarely with direct measures of control to follow up the start which already has been made along that line. It can, of course, be argued that as demand for durable goods is largely supported by credit, curtailment of credit would serve to reduce effective consumer demand and thus relieve pressure on prices. However, I would regard this indirect approach to the price control problem through enforced curtailment of consumer credit by terms restriction, as a method involving an extremely crude and administratively cumbersome device which might prove wholly ineffective. With loss of valuable time and effort, it might become necessary ultimately to set up additional machinery for direct regulation of prices, although credit control could still be continued as a supplementary feature.

In a situation where productive facilities in the durable goods industries are extensively appropriated for defense needs, and with the prices of the remaining products available for consumers held to reasonable limits, the general nature of the credit terms which are offered to consumers is relatively unimportant provided that credit granters do not overload the individual consumer against the day when defense spending is tapered off and his income may decline. We should not be too secure in the belief that because consumers have paid most of their debts in the past, it is axiomatic that they will always do so under different conditions in the future.

Rationing Durable Goods

With prices controlled by direct measures, enforced consumer credit restriction would be no more than a device for rationing durable goods. It would operate as a mechanism to disqualify the lower income groups because of the requirement of higher down payments or larger monthly payments than they could afford. Heavy excise taxes on durable goods would work toward the same type of rationing, but the tax method of curtailing consumer demand probably would be ineffective unless credit control were instituted at the same time. This would be necessary to prevent the higher total cost of a product, as the result of the tax, from being spread out in a longer series of monthly payments without any prohibitive increase in the size of each individual monthly payment. In Canada, for example, a 25 per cent tax in the manufacturer's price was levied at the beginning of this year in an effort to discourage consumption of durable goods. Rather than having a dampening effect on sales, however, it seems that the tax created a psychological situation in which consumer demand for durable products actually was increased. Backed by unrestricted credit, consumers hastened to buy durable goods before further measures of curtailment were imposed.

As far as the outsider can observe, events now seem to be moving in the direction on which I have predicated

some of my remarks with reference to installment terms and credit control. That is, events seem to justify the double assumption that production of consumers' durable goods will be sharply curtailed by defense requirements and that efforts will be made to control by direct measures the prices of the remaining supply of goods available to consumers. However, I should like to state most emphatically that I would be among the first to deplore the rising trend of consumer installment sales if these conditions were not to hold.

Effect of Defense Program on Durable Goods

Thus, if it were found at the close of this year that we were confronted by a situation in which consumer income was still growing and installment sales were likely to continue at an all-time high level because the defense program did not need to utilize a large part of the productive facilities of the durable goods industries, this extremely dangerous state of affairs would contain the elements of a potential future collapse of the markets for consumers' durable goods. With consumers loaded down with debts and their needs for durable goods approaching saturation, a decline in demand for automobiles and other durable products might coincide with a post-defense economic slump. This would certainly contribute to a very serious business decline.

I visualize a large diversion of productive facilities in the durable goods industries to defense use, and it seems unlikely that a saturated condition of the consumers' durable goods markets, accompanied by a high level of consumer debt, will present a serious future problem in terms of the post-defense economic adjustment. I have mentioned the extreme case of unrestrained installment selling in order to recall to your minds the fact that the problem of the management of consumer credit in its relation to business cycle swings has not yet been solved. Despite the fact that the situation today does not conform strictly to the ordinary business cycle phenomenon, these problems may arise again after the defense effort when our economy must return to a more normal situation.

It is clear that the volume of installment sales and the amount of outstanding consumer debts will be sharply contracted under a situation of greatly reduced production of durable goods, and with the prices of these goods also kept within bounds. To give an example of what can happen, passenger automobile financing declined 28 per cent from 1929 to 1930 and this was accompanied by a 30 per cent decline in total outstandings on these accounts. We estimate that total outstanding consumer installment debts for merchandise purchases equal about 4 billion dollars today. Under an extreme assumption of complete elimination of further installment sales, the larger part of these debts would be paid off in one year, and virtually all would be liquidated in somewhat less than two years. In the meantime, if we assume that annual installment sales volume of perhaps 5 billion dollars was held back, consumers would be left in the first year with possibly as much as 3.5 billion dollars which they would otherwise have used for down payments and monthly payments.

Installment Sales Restrictions

Although this example of full curtailment is not a probability, nevertheless some degree of installment sales restriction will release funds through liquidation of

present debts held by retailers and financing agencies. Although installment sales restriction will not increase the total of the spendable funds of those consumers who are prevented from incurring new debts, it will increase the amounts which they can spend for non-durable merchandise. In large measure, the funds released by repayment of consumer accounts held by retailers and financing agencies would no doubt be used to retire corresponding amounts of bank loans, thus permitting some new loans to be made for other purposes without a net increase in bank deposits. It seems most likely that the funds which consumers would have used ordinarily for new down payments and monthly payments on installment contracts—probably aggregating several billion dollars over the course of the entire defense period—will be spent for other types of commodities, rather than accumulated as some type of savings.

Thus, unless supplies of non-durable merchandise can be increased substantially, reduction of installment selling in the durable goods markets is at the same time capable of changing consumers' expenditures in a manner to produce an inflationary stimulus in other markets. No doubt this problem will have to be faced, and it seems logical that a situation involving increasing consumer demand, confronted by smaller supplies of durable goods, calls for a program which will draw off the excess of consumer funds through taxation and investments in defense bonds. These methods appear desirable, and they would help to avoid the problems of inflationary use of bank credit for the financing of public deficits.

Some Classes of Debts Still High

My remarks to this point have been confined to retail installment credit, for which we estimate that outstanding consumer debts today are about 4 billion dollars, comprising accounts held by retailers, sales finance companies, commercial banks, and other cash loan agencies. At least 50 per cent of this figure represents contracts on new and used passenger automobiles (excluding commercial vehicles and trucks). Including non-merchandise consumer loans of the provident or remedial type made by cash loan agencies, such as credit unions, industrial banks, personal finance companies and commercial banks, total consumer installment debts today are in the neighborhood of 5 billion dollars. To this may be added 500 to 600 millions of open-book debts to service creditors such as doctors, hospitals, funeral directors, etc., and a rough estimate of about 2 billion dollars for retail charge accounts. Thus, the grand total of these consumer debt items is about 7.5 to 8 billion dollars. In the background, however, is another 18 to 19 billion dollars representing debts on non-farm home mortgages.

With the exception of mortgage loans which are still somewhat below their 1929 total, the other classifications of debt are above their pre-depression highs, particularly the installment loans made to consumers by cash-lending institutions. However, I see no genuine reason for immediate concern simply because of the magnitudes involved or the factor of growth.

Consumer installment loans for provident or remedial purposes, and the consumer accounts of doctors and other service creditors, would not appear to be types of credit which could be manipulated or controlled to produce any

measurable benefits in terms of defense objectives. This part of the credit structure should, no doubt, be left intact to perform its regular functions. Furthermore, with prices held in line during the defense period, consumer retail installment debts will enter a period of liquidation at a time when smaller supplies of durable goods are available for the markets in which consumer demand for these goods is made effective by credit. As pointed out, without direct credit control, curtailment of supplies of durable goods sold on credit will itself create the backlog of future consumer demand for the post-defense economic adjustment when the large volume of automobiles and appliances sold today will require replacement.

Curtailment of Installment Credit

Some may hold the view that severe curtailment of retail installment credit should be adopted as a primary measure not only to force consumers out of debt in preparation for the ultimate post-defense stimulus, but because restrictive action to cut off consumer demand for durable goods would release the productive facilities of the consumers' durable goods industries for use under the defense program. This concept of broad action to be taken initially, however, tends to overlook the serious dislocations which would occur if the consumers' durable goods industries were shut down in advance of the need for their productive facilities in defense. Furthermore, although the credit control device is crude, highly sensitive manipulation would be required either to release the exact amounts of productive facilities needed for armament, or to time the operations with any precision. Consequently, I incline toward the belief that direct action to allocate productive resources for defense, and also direct action to prevent price inflation, represent the most practical view of the situation in the durable goods area. That is, I believe that direct action will prove far more effective in achieving major objectives than primary reliance on the indirect method of consumer credit control, which might, however, have some value as a secondary instrument.

Thus, in terms of objectives today, control of retail consumer credit does not appear to be the magic key which will unlock all doors, but I grant that some incidental and supplementary uses might perhaps be found for it. For example, the estimated 2 billion dollars of credit outstanding on retail charge accounts today does not appear to serve any vital economic need and it may be doubted that retailers still obtain the same competitive advantages from charge accounts which stimulated the growth of this type of consumer subsidy. Restrictive action here, perhaps a requirement that accounts be paid in full each month, might serve as one measure to stave off a general inflationary tendency if it should appear. The release of restriction would also be a stimulating factor if needed in the post-defense period.

Self-Regulation of Installment Credit

In the present situation we find that groups of retailers and other credit granters are endeavoring to restrict installment credit terms offered to consumers. If such restriction becomes effective, its major significance is that it will constitute a self-imposed type of rationing during a period of enlarged consumer demand and reduced supply of durable goods. Restriction of terms will rule

out those income groups unable to afford the higher down payments and monthly payments. While this action may be justified by administrative convenience, it can be noted that the same type of inequitable distribution, having no reference to the needs of individual consumers, would occur if enlarged demand and reduced supply were brought to balance by price inflation.

I believe, however, that it is highly desirable for all of those who grant consumer credit to establish efficient machinery for their own self-regulation. In my personal opinion, there has been a growing need for a permanent "super-conference" of credit granters to bring together the more or less isolated local and trade groups for the purpose of determining the broad outlines of general policy for self-regulation. At present, the annual meetings for retailers, sales finance companies, credit unions, industrial banks, personal finance companies, and commercial bank personal loan department executives are spread over the course of the entire year and are held in widely scattered localities. Furthermore, each group naturally inclines to concentrate on its own particular operating problems. To some extent, the community of interest of all of these fields of consumer financing is brought together here by the National Retail Credit Association and its group meetings.

Credit Problems of Today

Unlike the situation in 1936 and 1937, the problem today is not to prevent an excessive use of credit from drying up the future markets for durable goods—in other words, the problem of smoothing out the market—but it is to adopt policies conforming to an opposite situation in which demand will be enlarged and credit will be abundant while the supplies of goods commonly sold on credit will be diminished. In my opinion, the practical aspects of this situation can be summarized in four major points. First, I should like to place the question before you as to whether the various income groups should continue to share proportionately in the supply of durable goods as in the past, or whether it will be best in the final analysis to discriminate through terms restriction in order to equate enlarged consumer demand for durable goods with a reduced supply of these goods. Second, I believe that in those areas where a financing profit is secured from the employment of capital in consumers' accounts—as distinguished from merchandise profit—it would be unwise when supplies of durable goods are reduced to attempt to prevent a natural decline in the volume of consumer debt by discrimination against the cash buyer and encouragement of the use of credit. Third, credit granters should increase their vigilance with reference to future liquidity of accounts, and this is more a problem of careful selection of individual credit risks than a question of blanket policies of terms restriction. Finally, the very large volume of durable goods sold recently points to a backlog of future replacement demand which can serve as a stimulator to business during the post-defense economic readjustment when the durable goods industries return to their normal lines of production. Every policy adopted today should consider the conditions under which the consumer credit system can best be prepared to provide this primary stimulus to the markets of the future.

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BAROMETER of Retail BUSINESS

Sales and Collection Trends

June, 1941, vs. June, 1940

Compiled by Research Division, National Retail Credit Association

Arthur H. Hert, Research Director

CREDIT SALES increased 5.6 per cent during June; total sales 14.1 per cent; and collections 2.2 per cent, in the United States and Canada, as compared with June, 1940. *These increases were the result of increased employment due to defense projects and an increase in the price of farm products.*

Highlights of the monthly analysis are shown in the tables below:

Highlights for June

- 52 Cities reporting.
- 17,201 Retail stores represented.

COLLECTIONS

- 37 Cities reported increases.
- 2.2% Was the average increase for all cities.
- 22.0% Was the greatest increase (Charlotte, N. C.).
- 1 City reported no change (Torrington, Wyo.).
- 14 Cities reported decreases.
- 4.1% Was the greatest decrease (Cedar Rapids, Ia.).

CREDIT SALES

- 47 Cities reported increases.
- 5.6% Was the average increase for all cities.
- 34.9% Was the greatest increase (Dayton, Ohio).
- 2 Cities reported no change.
- 3 Cities reported decreases.
- 2.1% Was the greatest decrease (Waco, Texas).

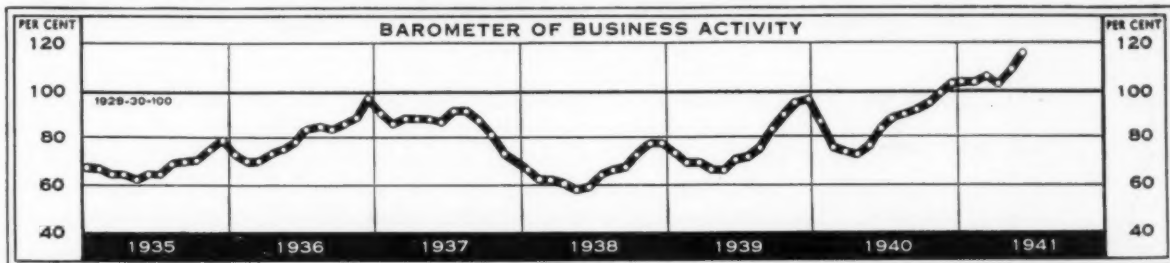
TOTAL SALES

- 51 Cities reported increases.
- 14.1% Was the average increase for all cities.
- 40.6% Was the greatest increase (Abilene, Texas).
- 1 City reported no change (Torrington, Wyo.).

Current Business Conditions

The Barometer

Accompanied by rising commodity prices and the acceleration of defense activities, business and industry registered further marked gains during June. The Barometer again rose sharply to a new high level for many years.



This barometer appears in the August issue of "Nation's Business," published by the United States Chamber of Commerce.

The Map

The expansion of industry and trade has continued to push the volume of business transactions steadily higher. No signs of the usual summer slackening have appeared, and the upward trend is likely to keep on for some time.

The shaded areas on the Map show where the gains have been greatest. For the most part, these are in the industrial sections of the country, although in most of the agricultural regions the improvement over a year ago has been rather large. Labor disturbances have reduced output in some industries, but have made comparatively little change in the total output of goods.

Business activity along both Coasts has been speeded up by the expansion in foreign trade and by the large increases in the number of ships being built. Many more persons are employed in making airplanes and a large percentage of these are at work in factories not far from the East and West Coasts.

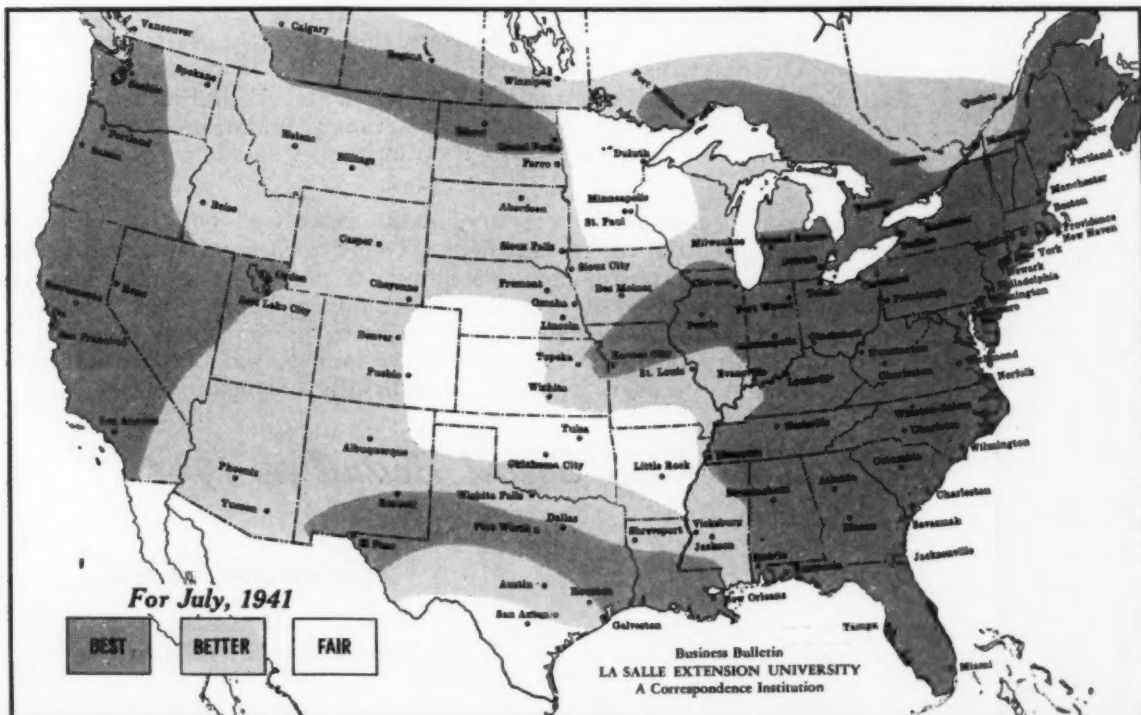
The high rate of production in the steel industry and in other lines closely related to it, has kept business at peak levels in the

industrial regions of the East and around the Great Lakes. To meet the large demand for machinery and equipment, as well as for consumer goods, employment and pay rolls in many cities are from 25 to 30 per cent higher than they were a year ago at this time.

Increased activity in the textile industry, especially in the cotton and woolen mills, is responsible for much of the improvement not only in New England, but also in many places throughout the South.

Prices of farm products have been rising and farm income is above last year. The total volume of trade and industry in the agricultural regions of the Middle West, however, has not advanced quite so much as it has in the industrial sections.

Trends in industry, trade, and agriculture throughout Canada have been about the same as in the United States. Industry is rapidly expanding and over 30 per cent more goods are being turned out now than a year ago.



"... nothing is accomplished alone."

YOUR OFFICERS AND DIRECTORS for the coming year are pledged to carry on, to the best of their ability, the objectives of our Association. Each and every one of us appreciates that individually we can accomplish little, but many things can be accomplished by working collectively. This means that every member must share the responsibility. To see our Association progress should be the aim of every member. Its achievements benefit every credit granter.

In many communities there is still much to be done in the way of credit education, the formulating and adopting of community credit policies, and securing memberships for the National Association. **Will you do your part?**

I would like very much to hear in the reports at the New Orleans Convention of the number of communities which have established Community Credit Policies, and acknowledge those individuals who have been responsible for these accomplishments in their respective associations. Your National Office has a reservoir of information waiting to be drawn upon, to help those associations desirous of establishing a Community Credit Policy. **Won't you make use of this information that is available to you?**



In securing new National members, there is in the National Office files information that will be very helpful. I would like to see the National Office called on more this year than ever, to help members and local associations in their work. After all, it is a clearinghouse, maintained solely for the benefit of members, and the information in its files should certainly be called into use.

During this national emergency, credit executives must be more than ever alert to the problems facing them. Today with good times and money flowing freely, we have a golden opportunity to put credit on a sounder basis. Reforms can be more easily put into effect during boom times. So now is the time to do away with newfangled credit terms that many have been using to catch Mr. and Mrs. Consumer's eye, and to put our credit business on the sound stable basis where it so rightfully belongs.

Let's Keep Credit Sound in 1941

Samuel W. Bolin

President
National Retail Credit Association

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